



**Bozeman Public Library Foundation**

**Financial Statements  
with  
Independent Auditors' Report**

**December 31, 2022 and 2021**

**Bozeman Public Library Foundation**  
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**December 31, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Bozeman Public Library Foundation  
Bozeman, Montana

### Opinion

We have audited the accompanying financial statements of Bozeman Public Library Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Bozeman Public Library Foundation as of December 31, 2022 and 2021, 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 Bozeman Public Library Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Bozeman Public Library Foundation'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 Bozeman Public Library 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bozeman Public Library 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.

Rudd & Company, PLLC

Bozeman, Montana  
April 21, 2023

**Bozeman Public Library Foundation**  
**Statements of Financial Position**  
**As of December 31,**

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| <b>Assets</b>                                    |                     |                     |
| Current Assets                                   |                     |                     |
| Cash and cash equivalents                        | \$ 278,855          | \$ 549,091          |
| Investment income receivable                     | 17,000              | 16,453              |
| Pledges receivable, current portion              | 44,250              | 35,065              |
| Grants receivable                                | -                   | 1,000,000           |
| Prepaid expenses                                 | 86,271              | -                   |
| Total Current Assets                             | <u>426,376</u>      | <u>1,600,609</u>    |
| Other Assets                                     |                     |                     |
| Investments                                      | 5,571,466           | 5,936,907           |
| Pledges receivable, long-term portion            | 46,000              | -                   |
| Beneficial interest in assets held by others     | 223,658             | 271,738             |
| Website, net amortization of \$8,393 and \$6,418 | 1,481               | 3,456               |
| Artwork  | 10,046              | 10,046              |
| Total Other Assets                               | <u>5,852,651</u>    | <u>6,222,147</u>    |
| Total Assets                                     | <u>\$ 6,279,027</u> | <u>\$ 7,822,756</u> |
| <b>Liabilities and Net Assets</b>                |                     |                     |
| Current Liabilities                              |                     |                     |
| Accounts payable                                 | \$ 10,168           | \$ 5,802            |
| Accrued payroll and other expenses               | 8,832               | 14,263              |
| Total Current Liabilities                        | <u>19,000</u>       | <u>20,065</u>       |
| Net Assets                                       |                     |                     |
| Without Donor Restrictions                       | 3,145,363           | 3,720,141           |
| Without Donor Restrictions - Board Designated    | 2,002,195           | 1,960,068           |
| With Donor Restrictions                          | 1,112,469           | 2,122,482           |
| Total Net Assets                                 | <u>6,260,027</u>    | <u>7,802,691</u>    |
| Total Liabilities and Net Assets                 | <u>\$ 6,279,027</u> | <u>\$ 7,822,756</u> |

The accompanying notes are an integral part of these statements.

**Bozeman Public Library Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| <b>Revenue and Support</b>                           |                               |                            |                     |
| Contributions  | \$ 859,059                    | \$ -                       | \$ 859,059          |
| Grants   | 566,826                       | 8,706                      | 575,532             |
| Interest and dividends, net                          | 127,674                       | 8,825                      | 136,499             |
| In-kind contributions                                | 6,031                         | -                          | 6,031               |
| Realized gain on investments                         | 15,214                        | 3,127                      | 18,341              |
| Unrealized loss on investments                       | (657,830)                     | (54,176)                   | (712,006)           |
| Other income   | 20,362                        | -                          | 20,362              |
| Total Revenue and Support                            | <u>937,336</u>                | <u>(33,518)</u>            | <u>903,818</u>      |
| <b>Net assets released from program restrictions</b> | <u>976,495</u>                | <u>(976,495)</u>           | <u>-</u>            |
| <b>Expenses</b>                                      |                               |                            |                     |
| Program services                                     | 2,193,671                     | -                          | 2,193,671           |
| General and administrative                           | 127,066                       | -                          | 127,066             |
| Fundraising  | 125,745                       | -                          | 125,745             |
| Total Expenses                                       | <u>2,446,482</u>              | <u>-</u>                   | <u>2,446,482</u>    |
| Change in Net Assets                                 | <u>(532,651)</u>              | <u>(1,010,013)</u>         | <u>(1,542,664)</u>  |
| Net Assets, Beginning of Year                        | <u>5,680,209</u>              | <u>2,122,482</u>           | <u>7,802,691</u>    |
| Net Assets, End of Year                              | <u>\$ 5,147,558</u>           | <u>\$ 1,112,469</u>        | <u>\$ 6,260,027</u> |

The accompanying notes are an integral part of these statements.

**Bozeman Public Library Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| <b>Revenue and Support</b>                           |                               |                            |                     |
| Contributions  | \$ 628,464                    | \$ 99,294                  | \$ 727,758          |
| Special events                                       | 47,098                        | 1,450                      | 48,548              |
| Grants   | 593,082                       | 1,516,190                  | 2,109,272           |
| Interest and dividends, net                          | 150,510                       | 13,165                     | 163,675             |
| In-kind contributions                                | 4,974                         | -                          | 4,974               |
| Realized gain on investments                         | 175,274                       | 23,047                     | 198,321             |
| Unrealized gain on investments                       | 102,142                       | 375                        | 102,517             |
| Other income   | 53,565                        | -                          | 53,565              |
| Total Revenue and Support                            | <u>1,755,109</u>              | <u>1,653,521</u>           | <u>3,408,630</u>    |
| <b>Net assets released from program restrictions</b> | <u>25,911</u>                 | <u>(25,911)</u>            | <u>-</u>            |
| <b>Expenses</b>                                      |                               |                            |                     |
| Program services                                     | 721,725                       | -                          | 721,725             |
| General and administrative                           | 116,820                       | -                          | 116,820             |
| Fundraising  | 120,297                       | -                          | 120,297             |
| Total Expenses                                       | <u>958,842</u>                | <u>-</u>                   | <u>958,842</u>      |
| Change in Net Assets                                 | <u>822,178</u>                | <u>1,627,610</u>           | <u>2,449,788</u>    |
| Net Assets, Beginning of Year                        | <u>4,858,031</u>              | <u>494,872</u>             | <u>5,352,903</u>    |
| Net Assets, End of Year                              | <u>\$ 5,680,209</u>           | <u>\$ 2,122,482</u>        | <u>\$ 7,802,691</u> |

The accompanying notes are an integral part of these statements.

**Bozeman Public Library Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

| Description                 | Program Services    | General and Administrative | Fundraising       | Total               |
|-----------------------------|---------------------|----------------------------|-------------------|---------------------|
| Amortization                | \$ -                | \$ 1,975                   | \$ -              | \$ 1,975            |
| Art sales expense           | -                   | 14,253                     | -                 | 14,253              |
| Bank charges                | -                   | 2,570                      | -                 | 2,570               |
| Board expenses              | -                   | 2,874                      | -                 | 2,874               |
| Bookmobile operating costs  | 10,673              | -                          | -                 | 10,673              |
| Computer maintenance        | -                   | 520                        | -                 | 520                 |
| Continuing education        | -                   | 1,319                      | -                 | 1,319               |
| Contractors                 | 33,130              | -                          | -                 | 33,130              |
| Direct mail costs           | -                   | 1,247                      | 16,390            | 17,637              |
| Donor relations             | 342                 | 275                        | 31                | 648                 |
| Dues                        | 813                 | 3,695                      | 110               | 4,618               |
| Employee benefits           | 8,863               | 9,140                      | 11,821            | 29,824              |
| Equipment                   | 3,478               | 1,051                      | -                 | 4,529               |
| Food for events             | 3,772               | 137                        | -                 | 3,909               |
| In-kind expenses            | 5,326               | 300                        | 405               | 6,031               |
| Insurance                   | -                   | 1,131                      | -                 | 1,131               |
| Internet hotspots           | 9,501               | -                          | -                 | 9,501               |
| Library renovation          | 2,000,000           | -                          | -                 | 2,000,000           |
| Marketing                   | 13,219              | 5,865                      | 2,081             | 21,165              |
| Miscellaneous               | 161                 | 20                         | -                 | 181                 |
| Office internet             | -                   | 859                        | -                 | 859                 |
| Personnel and related costs | 70,436              | 66,083                     | 94,907            | 231,426             |
| Postage                     | 212                 | 660                        | -                 | 872                 |
| Professional fees           | -                   | 11,000                     | -                 | 11,000              |
| Special events              | 1,050               | -                          | -                 | 1,050               |
| Supplies                    | 25,576              | 1,314                      | -                 | 26,890              |
| Travel                      | 6,692               | -                          | -                 | 6,692               |
| Website                     | 427                 | 778                        | -                 | 1,205               |
| <b>Total</b>                | <b>\$ 2,193,671</b> | <b>\$ 127,066</b>          | <b>\$ 125,745</b> | <b>\$ 2,446,482</b> |

The accompanying notes are an integral part of these statements.



**Bozeman Public Library Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

| Description                 | Program Services  | General and Administrative | Fundraising       | Total             |
|-----------------------------|-------------------|----------------------------|-------------------|-------------------|
| Amortization                | \$ -              | \$ 1,975                   | \$ -              | \$ 1,975          |
| Art sales expense           | -                 | 9,466                      | -                 | 9,466             |
| Bank charges                | -                 | 1,940                      | -                 | 1,940             |
| Board expenses              | -                 | 2,324                      | -                 | 2,324             |
| Bookmobile operating costs  | 3,504             | -                          | -                 | 3,504             |
| Continuing education        | 199               | 819                        | -                 | 1,018             |
| Contractors                 | 17,354            | 510                        | -                 | 17,864            |
| Direct mail costs           | -                 | 1,642                      | 7,745             | 9,387             |
| Donor relations             | 1,739             | 170                        | 18                | 1,927             |
| Dues                        | 812               | 2,287                      | 3,110             | 6,209             |
| Employee benefits           | 7,560             | 8,134                      | 9,768             | 25,462            |
| Food for events             | 1,057             | -                          | -                 | 1,057             |
| In-kind expenses            | 5,515             | 1,030                      | 5,288             | 11,833            |
| Insurance                   | -                 | 1,041                      | -                 | 1,041             |
| Internet hotspots           | 9,934             | -                          | -                 | 9,934             |
| Library renovation          | 585,672           | -                          | -                 | 585,672           |
| Marketing                   | 5,359             | 531                        | 348               | 6,238             |
| Memorial installations      | -                 | 2,776                      | -                 | 2,776             |
| Miscellaneous               | -                 | 456                        | -                 | 456               |
| Personnel and related costs | 66,080            | 67,591                     | 88,112            | 221,783           |
| Postage                     | -                 | 1,467                      | -                 | 1,467             |
| Printing and publications   | 504               | 3,197                      | -                 | 3,701             |
| Professional fees           | -                 | 6,500                      | -                 | 6,500             |
| Special events              | -                 | -                          | 5,908             | 5,908             |
| Supplies                    | 15,596            | 1,291                      | -                 | 16,887            |
| Travel                      | 790               | 285                        | -                 | 1,075             |
| Website                     | 50                | 1,388                      | -                 | 1,438             |
| <b>Total</b>                | <b>\$ 721,725</b> | <b>\$ 116,820</b>          | <b>\$ 120,297</b> | <b>\$ 958,842</b> |

The accompanying notes are an integral part of these statements.

**Bozeman Public Library Foundation**  
**Statements of Cash Flows**  
**For the Years Ended December 31,**

|   | <u>2022</u>        | <u>2021</u>        |
|---|--------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>   |                    |                    |
| Change in Net Assets  | \$ (1,542,664)     | \$ 2,449,788       |
| Adjustment to reconcile change in net assets to net cash provided by operating activities |                    |                    |
| Amortization  | 1,975              | 1,975              |
| Net unrealized and realized loss (gain) on investments                                    | 693,665            | (300,838)          |
| Forgiveness of Paycheck Protection Program loan   | -                  | (39,600)           |
| (Increase) decrease in assets:  |                    |                    |
| Investment income receivable  | (547)              | (951)              |
| Pledges receivable  | (55,185)           | (35,065)           |
| Grants receivable   | 1,000,000          | (1,000,000)        |
| Prepaid expenses  | (86,271)           | -                  |
| Increase (decrease) in liabilities  |                    |                    |
| Accounts payable  | 4,366              | 89                 |
| Accrued payroll and other expenses  | (5,431)            | 11,247             |
| Net Cash Provided by Operating Activities   | <u>9,908</u>       | <u>1,086,645</u>   |
| <b>Cash Flows from Investing Activities</b>   |                    |                    |
| Proceeds from sale of investments   | 2,011,194          | 515,307            |
| Purchase of investments   | <u>(2,291,338)</u> | <u>(1,621,871)</u> |
| Net Cash Used by Investing Activities   | <u>(280,144)</u>   | <u>(1,106,564)</u> |
| Net Decrease in cash and cash equivalents   | (270,236)          | (19,919)           |
| Cash and cash equivalents, Beginning of Year  | <u>549,091</u>     | <u>569,010</u>     |
| Cash and cash equivalents, End of Year  | <u>\$ 278,855</u>  | <u>\$ 549,091</u>  |
| <b>Supplemental Disclosure of Cash Flow Information</b>                                   |                    |                    |
| Non-cash contribution - Paycheck Protection Program loan forgiveness                      | \$ -               | \$ 39,600          |
| Non-cash donation of other in-kind items  | \$ 6,031           | \$ 11,833          |

The accompanying notes are an integral part of these statements.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**1. Summary of Significant Accounting Policies**

**Organization**

Bozeman Public Library Foundation (the “Foundation”), is a nonprofit agency organized to support the Bozeman Public Library through raising, receiving, administering, and disbursing funds, grants, bequests and gifts for the benefit of the library. The Foundation was incorporated with the State of Montana on August 29, 1983, and subsequently amended on December 15, 1989. The governing board consists of an elected president and elected members of the board of directors.

The Foundation’s support comes primarily from donor contributions and various fundraising events. They are a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes.

**Basis of Accounting**

The financial statements of the Foundation are reported on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net assets without donor restrictions* represents net amounts that have been earned and expended according to contract restrictions and net amounts from generally unrestricted activities. The Board of Directors has voluntarily designated \$223,658 and \$271,738 of net assets without donor restrictions in a Montana Community Foundation agency fund as of December 31, 2022 and 2021, respectively. In addition, the Board of Directors has voluntarily designated \$1,778,537 and \$1,736,409 of operating reserves for the library renovation project as of December 31, 2022 and 2021, respectively.

*Net assets with donor restrictions* represents net assets subject to donor- (or certain grantor-) imposed restrictions. The Foundation had \$1,112,469 and \$2,122,482 of net assets with donor restrictions as of December 31, 2022 and 2021, respectively, primarily relating to contributions for an endowment and programs.

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 that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

As of December 31, 2022 and 2021, the Foundation had \$200,000 of net assets restricted in perpetuity.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**1. Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers cash and cash equivalents to be cash on hand, cash deposited with banks and financial institutions, money market funds, and all highly liquid investments available for current use with an original maturity of three months or less. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. As of December 31, 2022 and 2021, cash and cash equivalents exceeded federally insured limits by \$21,950 and \$71,097, respectively.

**Receivables**

Grants receivable and pledges receivable are measured at fair value on the date a written unconditional promise to give is received from the donor. The fair value is measured using an income approach which incorporates inputs including estimated timing of cash receipts and an appropriate present value discount factor if receivables are expected to be collected in future years. As of December 31, 2022, \$46,000 of pledges receivable are considered long-term, as their expected collection period is between one and five years. All other pledges receivable are considered current, as they are expected to be collected within one year. As of December 31, 2021, all grants and pledges receivable are considered current, as they are expected to be collected within one year. Management has determined the discounted cash flows on long-term receivables is not material to the overall financial statements.

**Artwork**

Artwork consists of art prints generated from the donation of an original painting. Artworks are valued at the lower of cost or market and not considered material to the overall financial statements.

**Prepaid Expenses**

As of December 31, 2022, prepaid expenses include down payments made on furniture that was purchased on behalf of the City of Bozeman, as well as down payments made in preparation for fiscal year 2023's Gala event. Prepayments will be expensed when the furniture is transferred to the City and when the Gala event is held, respectively. Prepaid expenses are included in current assets on the Statement of Financial Position. There were no prepaid expenses as of December 31, 2021.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**1. Summary of Significant Accounting Policies (continued)**

**Investments**

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investments held in securities are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 for securities and cash. As part of their investment balance, the Foundation maintains cash and cash equivalents at a brokerage firm that are fully insured by a Bank Insured Deposit Program.

**Property, Equipment and Intangibles**

Property, equipment and intangibles are carried at cost or, if donated, at the approximate fair value at the date of donation. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed. The Foundation follows the practice of capitalizing all expenditures or donations at fair market value in excess of \$2,500 for property, equipment and intangibles with a useful life of more than one year. The Foundation has elected to depreciate/amortize these assets using the straight-line method. Estimated useful life of the property, equipment and intangibles are as follows:

|         |         |
|---------|---------|
| Website | 5 years |
|---------|---------|

**Compensated Absences**

The Foundation has not accrued any compensated absences as of December 31, 2022 and 2021, as management has determined that amounts are not significant to the overall financial statements.

**Functional Expenses**

Expenses are charged directly to the program, to fundraising, or to the general and administrative based on specific identification; however, personnel and related costs are allocated between program, fundraising, and general and administrative. On an annual basis, management estimates allocation percentages based on overall time analysis provided by each employee.

**Revenue and Revenue Recognition**

Contributed support is reported as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increase that net asset class. The Foundation records special event revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received when the event takes place.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**1. Summary of Significant Accounting Policies (continued)**

Grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualified expenses. Consequently, all grants received as of December 31, 2022 and 2021, have been recognized in the accompanying financial statements as all the conditions have been met.

**Use of 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.

**Subsequent Events**

Management has evaluated subsequent events through April 21, 2023, the date on which the financial statements were available to be issued.

**Adoption of New Accounting Standard**

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Foundation adopted this standard, as amended, retrospectively for the fiscal year ended December 31, 2022. The standard did not have a material impact on the financial statements. The Foundation has updated disclosures as necessary. See Note 9.

**2. Investments**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**2. Investments (continued)**

The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis: Investments in mutual funds are valued based upon quoted market prices. Bank insured deposit funds are insured cash accounts and are valued at the closing cash balance.

Cost and fair market value of investments as of December 31, 2022 and 2021 are as follows:

|                                     | <b>2022</b>         |                        |                     |
|-------------------------------------|---------------------|------------------------|---------------------|
|                                     | <u>Cost</u>         | <u>Unrealized Loss</u> | <u>Fair Value</u>   |
| Cash and cash equivalents - Level 1 | \$ 14,302           | \$ -                   | \$ 14,302           |
| Mutual funds - Level 1              | 5,798,944           | (241,780)              | 5,557,164           |
|                                     | <u>\$ 5,813,246</u> | <u>\$ (241,780)</u>    | <u>\$ 5,571,466</u> |
|                                     | <b>2021</b>         |                        |                     |
|                                     | <u>Cost</u>         | <u>Unrealized Gain</u> | <u>Fair Value</u>   |
| Cash and cash equivalents - Level 1 | \$ 646,020          | \$ -                   | \$ 646,020          |
| Mutual funds - Level 1              | 4,863,244           | 427,643                | 5,290,887           |
|                                     | <u>\$ 5,509,264</u> | <u>\$ 427,643</u>      | <u>\$ 5,936,907</u> |

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
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**3. Investment Income**

Components of investment income for the years ended December 31, 2022 and 2021 consist of the following:

|                           | <u>2022</u>         | <u>2021</u>       |
|---------------------------|---------------------|-------------------|
| Interest and dividends    | \$ 154,136          | \$ 180,846        |
| Investment fees           | (17,637)            | (17,171)          |
| Realized gains            | 18,341              | 198,321           |
| Unrealized gains/(losses) | <u>(712,006)</u>    | <u>102,517</u>    |
| Total investment income   | <u>\$ (557,166)</u> | <u>\$ 464,513</u> |

**4. Endowment**

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the years ended December 31, 2022 and 2021, fees paid for management of endowment funds were \$1,348 and \$1,391, respectively.

**Interpretation of Relevant Law**

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") 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 classified as donor restricted net assets in perpetuity (a) the original value of gifts donated to the net assets without donor restrictions endowment, (b) the original value of subsequent gifts to the net assets without donor restrictions endowment, and (c) any accumulations to the net assets without donor restrictions endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund are classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, 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 purposes 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 of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.



**Bozeman Public Library Foundation**  
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**4. Endowment (continued)**

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Foundation to retain as a fund of perpetual direction. As of December 31, 2022 and 2021, the endowment fund had no such deficiency.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s).

The Foundation expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The objective of the Foundation's spending policy is to preserve the fair value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
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**4. Endowment (continued)**

Endowment net asset composition by type of fund as of December 31, 2022 and 2021, is as follows:

|  | <b>2022</b>                   |                            |  |            |
|--|-------------------------------|----------------------------|--|------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | With Donor<br>Restrictions -<br>Perpetuity | Total      |
| Endowment net assets,<br>beginning of year | \$ 72,634                     | \$ 103,586                 | \$ 200,000                                 | \$ 376,220 |
| Endowment net assets,<br>end of year       | \$ 72,109                     | \$ 51,331                  | \$ 200,000                                 | \$ 323,440 |

|  | <b>2021</b>                   |                            |  |            |
|--|-------------------------------|----------------------------|--|------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | With Donor<br>Restrictions -<br>Perpetuity | Total      |
| Endowment net assets,<br>beginning of year | \$ 63,487                     | \$ 66,999                  | \$ 200,000                                 | \$ 330,486 |
| Endowment net assets,<br>end of year       | \$ 72,634                     | \$ 103,586                 | \$ 200,000                                 | \$ 376,220 |

Changes in net assets composition by type of fund for the years ended December 31, 2022 and 2021 is as follows:

|  | <b>2022</b>                   |                            |  |            |
|--|-------------------------------|----------------------------|--|------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | With Donor<br>Restrictions -<br>Perpetuity | Total      |
| Endowment net assets,<br>as of December 31, 2021 | \$ 72,634                     | \$ 103,586                 | \$ 200,000                                 | \$ 376,220 |
| Transfer for release from restriction            | 10,031                        | (10,031)                   | -  | -          |
| Investment income:                               |                               |                            |  |            |
| Interest and dividends, net                      | 2,206                         | 8,825                      | -  | 11,031     |
| Realized gains                                   | 782                           | 3,127                      | -  | 3,909      |
| Net depreciation (unrealized)                    | (13,544)                      | (54,176)                   | -  | (67,720)   |
| Endowment net assets,<br>as of December 31, 2022 | \$ 72,109                     | \$ 51,331                  | \$ 200,000                                 | \$ 323,440 |

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
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**4. Endowment (continued)**

|  | <b>2021</b>                   |                            |  |            |
|--|-------------------------------|----------------------------|--|------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | With Donor<br>Restrictions -<br>Perpetuity | Total      |
| Endowment net assets,<br>as of December 31, 2020 | \$ 63,487                     | \$ 66,999                  | \$ 200,000                                 | \$ 330,486 |
| Investment income:                               |                               |                            |  |            |
| Interest and dividends, net                      | 3,291                         | 13,165                     | -  | 16,456     |
| Realized gains                                   | 5,762                         | 23,047                     | -  | 28,809     |
| Net appreciation (unrealized)                    | 94                            | 375                        | -  | 469        |
| Endowment net assets,<br>as of December 31, 2021 | \$ 72,634                     | \$ 103,586                 | \$ 200,000                                 | \$ 376,220 |

**5. Beneficial Interest in Assets Held by Others**

Pursuant to FASB Statement No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others, the Foundation records amounts held by the Montana Community Foundation Endowment Agency. Under the terms of the agreement with Montana Community Foundation, earnings from the endowment are distributed each year. At the time of assets the Foundation granted variance power to the Montana Community Foundation. This gives Montana Community Foundation the right to modify any restrictions or conditions on the distributions of funds for any specified charitable purposes or to specified charitable organizations if, in the sole judgment of the Board of Directors of Montana Community Foundation, such restrictions or conditions become, in effect, unnecessary, undesirable, incapable of fulfillment, or inconsistent with the charitable needs of the state of Montana or the surrounding region. To start the fund, the Foundation made an initial investment of \$151,627. At December 31, 2022 and 2021, the endowment fund had a value of \$223,658 and \$271,738, respectively, which is reported in the statements of financial position as a beneficial interest assets held by others and included in net assets without donor restrictions – board designated.

**6. Endowment Funds Held by Others**

The Montana Community Foundation has endowment funds held on behalf of Bozeman Public Library Foundation at December 31, 2022 and 2021 in the amount of \$121,538 and \$147,289, respectively. During the years ended December 31, 2022 and 2021, the Foundation transferred contributions totaling \$300 each year to the fund. This amount does not qualify to be recorded on the statement of financial position of the Foundation, but may provide an income stream in perpetuity.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
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**7. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

|                                      | <u>2022</u>             | <u>2021</u>             |
|--------------------------------------|-------------------------|-------------------------|
| Cash                                 | \$ 278,855              | \$ 549,091              |
| Investment income receivable         | 17,000                  | 16,453                  |
| Investments                          | 5,571,466               | 5,936,907               |
| Grants receivable                    | -                       | 1,000,000               |
| Pledges receivable, current portion  | 44,250                  | 35,065                  |
| Net assets with donor restrictions   | <u>(1,112,469)</u>      | <u>(2,122,482)</u>      |
| <br>Total Financial Assets Available | <br><u>\$ 4,799,102</u> | <br><u>\$ 5,415,034</u> |

The Foundation is primarily supported by contributions, grants and investment income. As a part of the Foundation's liquidity management, management reviews its liquidity on a monthly basis with the board of directors.

**8. Retirement Plan**

Bozeman Public Library Foundation offers employees the opportunity to participate in a contributory retirement plan. Under the plan, eligible employees are allowed to make contributions to a SIMPLE IRA plan, and the Foundation will contribute a matching contribution to each eligible employee's plan, equal to the employee's contributions, up to a limit of 3% of the employee's compensation for the calendar year. The Foundation's contributions totaled \$6,413 and \$6,117, respectively, for the years ended December 31, 2022 and 2021.

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2022 and 2021**

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**9. Donated Services, Materials, and Facilities**

Donations of supplies and other nonfinancial assets are recorded as contributions without donor restriction or special events revenue at their estimated fair value based upon current market rates for similar items at the time of receipt.

The following in-kind donations were recognized for the years ended December 31, 2022 and 2021:

|                          | <b>2022</b>         |                               |               |                 |
|--------------------------|---------------------|-------------------------------|---------------|-----------------|
|                          | Program<br>Services | General and<br>Administrative | Fundraising   | Total           |
| Contractors              | \$ 4,045            | \$ 8                          | \$ -          | \$ 4,053        |
| Printing and publication | 212                 | 292                           | 405           | 909             |
| Supplies                 | 1,069               | -                             | -             | 1,069           |
|                          | <u>\$ 5,326</u>     | <u>\$ 300</u>                 | <u>\$ 405</u> | <u>\$ 6,031</u> |

|                           | <b>2021</b>         |                               |                 |                  |
|---------------------------|---------------------|-------------------------------|-----------------|------------------|
|                           | Program<br>Services | General and<br>Administrative | Fundraising     | Total            |
| Contractors               | \$ 3,441            | \$ -                          | \$ -            | \$ 3,441         |
| Office and administrative | -                   | 471                           | -               | 471              |
| Marketing                 | 34                  | -                             | -               | 34               |
| Supplies                  | 2,025               | 273                           | 943             | 3,241            |
| Printing and publication  | 14                  | 98                            | -               | 112              |
| Event prizes              | -                   | -                             | 3,661           | 3,661            |
| Direct mail               | -                   | 108                           | 685             | 793              |
| Memorial installations    | -                   | 80                            | -               | 80               |
|                           | <u>\$ 5,514</u>     | <u>\$ 1,030</u>               | <u>\$ 5,289</u> | <u>\$ 11,833</u> |

**Bozeman Public Library Foundation**  
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**10. Related Party Transactions**

A board member of the Foundation is also a member of an organization which granted the Foundation \$500,000 during the year ended December 31, 2022. Board members and Foundation staff made donations of \$75,906 during 2022, \$29,000 of which is included in pledges receivable at December 31, 2022.

A board member of the Foundation is also a member of an organization which granted the Foundation \$2 million during the year ended December 31, 2021, \$1 million of which is recorded as grants receivable at December 31, 2021. Board members and Foundation staff made donations of \$63,716 during 2021, \$10,000 of which is included in pledges receivable at December 31, 2021.

**11. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes as of December 31, 2022 and 2021:

|                                   | <u>2022</u>         | <u>2021</u>         |
|-----------------------------------|---------------------|---------------------|
| Anderson Endowment - Perpetuity   | \$ 200,000          | \$ 200,000          |
| Anderson Endowment - Teen Library | 51,331              | 103,586             |
| Bookmobile Operating              | 164,834             | 174,282             |
| CFOB                              | -                   | 12,580              |
| Children's                        | 5,293               | 3,258               |
| Family Literacy Outreach          | 10,883              | 7,470               |
| Holocaust                         | -                   | 1,925               |
| Labyrinth                         | 2,420               | 2,420               |
| Library Renovation                | 672,496             | 1,597,939           |
| Meyerson Foundation Tech Match    | -                   | 1,268               |
| One Book - One Bozeman            | -                   | 762                 |
| SymBozium                         | 5,212               | 16,992              |
|                                   | <u>\$ 1,112,469</u> | <u>\$ 2,122,482</u> |

**Bozeman Public Library Foundation**  
**Notes to the Financial Statements**  
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**12. Future Commitments**

In September of 2020, the Foundation entered into an agreement with the City of Bozeman and the Bozeman Public Library to pursue renovation of the Bozeman Public Library to meet the Library's growing program needs and growing demand for publicly accessible meeting room space. The Foundation is responsible for raising all necessary funds for each of the three project phases. Phase 1 consists of community engagement and conceptual design, phase 2 consists of the final design, and phase 3 consists of construction. As of December 31, 2022, the Foundation has made total payments to the City of Bozeman in the amount of \$170,560 for the phase 1 and \$2,540,112 for phases 2 and 3. Phase 3 began in late 2022 with estimated completion in 2023, and the Foundation remains responsible for additional construction costs incurred by the City of Bozeman. Estimated remaining payments to the City are approximately \$2.2 million.

In September of 2022, the Foundation entered into an agreement with the City of Bozeman to provide support for public engagement and concept design services for the Bozeman Community Center Project. As of December 31, 2022, no payments have been made by the Foundation for the project. Under the terms of the agreement, the Foundation is responsible for submitting a payment of \$56,250 to the City of Bozeman during fiscal year 2023.