

REPORT TO THE BOARD

January 22, 2024

The Board of Trustees
Rochester Public Library
Rochester, New York

Dear Board Members:

We have audited the financial statements of Rochester Public Library (the Library) for the year ended June 30, 2023, and have issued our report thereon dated January 22, 2024. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

For the year ended June 30, 2023, we have evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit. Management and accounting personnel were very helpful in assisting us during our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our appointment as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our appointment.

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This information is intended solely for the use of the Board of Trustees and management of the Rochester Public Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC

ROCHESTER PUBLIC LIBRARY
Financial Statements
June 30, 2023 and 2022
(With Independent Auditors' Report Thereon)

ROCHESTER PUBLIC LIBRARY

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Rochester Public Library
Rochester, New York:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Rochester Public Library (the Library) (a component unit of the City of Rochester, New York), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochester Public Library, as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library 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.

Prior Period Financial Statements

The financial statements of the Rochester Public Library as of June 30, 2022 were audited by other auditors whose report dated December 8, 2022 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 the Library's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 the Library'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 the Library'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.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 22, 2024

ROCHESTER PUBLIC LIBRARY
 (A Component Unit of the City of Rochester, New York)
 Statements of Financial Position
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash and equivalents	\$ 2,682,950	1,191,995
Due from Monroe County and other governments	3,229,254	3,247,180
Due from City of Rochester	489,527	1,284,662
Due from City of Rochester - capital project	3,053,623	4,331,982
Due from Monroe County Library System and other grants receivable	681,461	681,951
Due from Friends and Foundation of the Rochester Public Library	100,000	97,824
Total current assets	10,236,815	10,835,594
Other assets:		
Right of use assets, net of amortization	74,957	30,980
Investments	2,966,739	2,843,239
Total other assets	3,041,696	2,874,219
Total assets	\$ 13,278,511	13,709,813
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	1,035,280	566,720
Due to City of Rochester	6,589,290	9,100,620
Current portion of finance lease liability	17,588	11,215
Total current liabilities	7,642,158	9,678,555
Non-current liabilities - finance lease liability, less current portion	57,679	19,341
Total liabilities	7,699,837	9,697,896
Net assets:		
Without donor restrictions	2,228,078	798,404
With donor restrictions	3,350,596	3,213,513
Total net assets	5,578,674	4,011,917
Total liabilities and net assets	\$ 13,278,511	13,709,813

See accompanying notes to financial statements.

ROCHESTER PUBLIC LIBRARY
(A Component Unit of the City of Rochester, New York)
Statements of Activities

Years ended June 30, 2023 and 2022

	2023		2022		
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:					
Contributions	\$ -	350,684	-	321,720	321,720
Contributed nonfinancial assets	4,264,270	-	4,264,270	-	4,264,270
Monroe County	7,158,349	-	7,079,000	-	7,079,000
City of Rochester	6,768,439	-	6,939,889	-	6,939,889
Monroe County Library System, state aid and other grants	4,620,768	-	3,019,207	-	3,019,207
Fines, fees and other miscellaneous revenue	326,815	-	156,545	-	156,545
Net assets released from restrictions	348,473	(348,473)	456,888	(456,888)	-
Total support and revenue	<u>23,487,114</u>	<u>2,211</u>	<u>21,915,799</u>	<u>(135,168)</u>	<u>21,780,631</u>
Expenses:					
Program services	19,696,273	-	17,835,458	-	17,835,458
General and administrative	3,254,480	-	2,924,839	-	2,924,839
Total operating expenses before transfer	22,950,753	-	20,760,297	-	20,760,297
Transfer to (from) City of Rochester	(878,000)	-	2,724,418	-	2,724,418
Total expenses and transfer	<u>22,072,753</u>	<u>-</u>	<u>23,484,715</u>	<u>-</u>	<u>23,484,715</u>
Other income (expense):					
Investment income (expense), net	10,358	134,872	12,344	(380,355)	(368,011)
Refund of prior year expense	4,955	-	14,907	-	14,907
Total other income (expense)	<u>15,313</u>	<u>134,872</u>	<u>27,251</u>	<u>(380,355)</u>	<u>(353,104)</u>
Change in net assets	1,429,674	137,083	(1,541,665)	(515,523)	(2,057,188)
Net assets at beginning of year	798,404	3,213,513	2,340,069	3,729,036	6,069,105
Net assets at end of year	<u>\$ 2,228,078</u>	<u>3,350,596</u>	<u>798,404</u>	<u>3,213,513</u>	<u>4,011,917</u>

See accompanying notes to financial statements.

ROCHESTER PUBLIC LIBRARY
 (A Component Unit of the City of Rochester, New York)
 Statement of Functional Expenses
 Year ended June 30, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Amortization	\$ 15,644	1,738	17,382
Books and materials	846,219	-	846,219
Building and equipment	789,085	87,676	876,761
Communications	34,121	3,792	37,913
Equipment fees	26,699	2,967	29,666
Interest	1,238	137	1,375
Other	561,257	62,362	623,619
Postage	9,270	1,030	10,300
Printing	842	94	936
Professional fees	541,479	60,165	601,644
Purchased services - salaries and benefits	11,904,639	2,438,300	14,342,939
Rent	3,837,843	426,427	4,264,270
Service charges	-	44,056	44,056
Supplies	497,728	55,303	553,031
Training and travel	16,226	2,213	18,439
Utilities	613,983	68,220	682,203
Total expenses	<u>\$ 19,696,273</u>	<u>3,254,480</u>	<u>22,950,753</u>

See accompanying notes to financial statements.

ROCHESTER PUBLIC LIBRARY
 (A Component Unit of the City of Rochester, New York)
 Statement of Functional Expenses
 Year ended June 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Amortization	\$ 14,643	1,627	16,270
Books and materials	1,389,471	-	1,389,471
Building and equipment	140,850	15,650	156,500
Communications	15,927	1,770	17,697
Equipment fees	22,875	2,542	25,417
Interest	127	14	141
Other	97,145	10,794	107,939
Postage	5,004	556	5,560
Printing	3,150	350	3,500
Professional fees	527,684	58,632	586,316
Purchased services - salaries and benefits	11,028,389	2,258,827	13,287,216
Rent	3,837,843	426,427	4,264,270
Service charges	-	63,759	63,759
Supplies	134,775	14,975	149,750
Training and travel	11,747	1,602	13,349
Utilities	605,828	67,314	673,142
Total expenses	<u>\$ 17,835,458</u>	<u>2,924,839</u>	<u>20,760,297</u>

See accompanying notes to financial statements.

ROCHESTER PUBLIC LIBRARY
 (A Component Unit of the City of Rochester, New York)
 Statements of Cash Flows
 June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized loss (gain) on investments	\$ 1,566,757	(2,057,188)
Amortization expense - leases	(76,282)	442,894
Changes in:	17,382	16,270
Due from Monroe County and other governments	17,926	(1,048,381)
Due from City of Rochester	2,073,494	435,822
Due from Monroe County Library System and other grants receivable	490	(326,221)
Due from Friends and Foundation of the Rochester Public Library	(2,176)	(3,074)
Accounts payable	468,560	(36,823)
Due to City of Rochester	(2,511,330)	2,595,897
Deferred revenue	-	(84,179)
Net cash provided by (used in) operating activities	<u>1,554,821</u>	<u>(64,983)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	354,934	175,173
Purchases of investments	<u>(421,446)</u>	<u>(217,428)</u>
Net cash used in investing activities	<u>(66,512)</u>	<u>(42,255)</u>
Cash flows from financing activities - change in finance leases	<u>(16,648)</u>	<u>(16,694)</u>
Change in cash and equivalents	1,471,661	(123,932)
Cash and equivalents at beginning of year	<u>1,223,168</u>	<u>1,347,100</u>
Cash and equivalents at end of year	<u>\$ 2,694,829</u>	<u>1,223,168</u>

The following table provides a reconciliation of cash to amounts reported within the statements of financial position.

Cash and equivalents	\$ 2,682,950	1,191,995
Cash included in investments	<u>11,879</u>	<u>31,173</u>
	<u>\$ 2,694,829</u>	<u>1,223,168</u>

See accompanying notes to financial statements.

ROCHESTER PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Organization

The Rochester Public Library (the Library) is a not-for-profit organization that enriches the quality of life in the City of Rochester (the City) and Monroe County (the County) by providing educational, recreational, aesthetic and informational materials, services and programs to help people follow their own lines of inquiry and enlightenment.

Working together with public and private resources, the Library assists the City and the County in meeting the needs of the community by operating the central and ten branch libraries, conducting outreach programs and providing services to member libraries of the Monroe County Library System (MCLS).

In all its endeavors, the Library maintains and promotes the principles of intellectual freedom and equality of access.

(b) Basis of Accounting

The Library's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

(c) Basis Presentation

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Library to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Library's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Library or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Estimates

The preparation of financial statements in accordance 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.

(e) Cash and Equivalents

For purposes of the statements of cash flows, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Receivables

Receivables are stated at the amount management expects to collect. Amounts that management believes to be uncollectible, after collection efforts have been completed, are written off. In addition, management evaluates the need for and, if appropriate, provides an allowance to reduce receivables to amounts management expects will be collected. Management determined that no allowances were necessary at June 30, 2023 and 2022.

(g) Investments

In accordance with accounting principles generally accepted in the United States of America, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in investment income. Investment income and gains and losses from the sale or other disposition of investments are accounted for in accordance with specific donor restrictions. In the absence of such restrictions, investment income, gains and losses are accounted for as without donor restriction.

(h) Inexhaustible Collections and Books

The Library owns various collectible items that have been donated, including rare objects and various rare books. Each of the items are cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

The value of rare objects, donated rare books and collectibles is not included on the statements of financial position. This practice conforms with that followed by many museums and other institutions that have such collections. The values of existing inexhaustible collections including rare books, fixtures and artwork are not readily determinable; therefore, the Library has not capitalized them. Purchased or donated library books have not been capitalized because their estimated useful lives are generally less than one year.

(i) Leases

In February 2016, the FASS issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Library adopted Topic 842 on July

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Leases, Continued

1, 2021, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Library has applied Topic 842 to reporting periods beginning on July 1, 2021.

The Library elected the package of practical expedients under the transition guidance within Topic 842, in which the Library does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Library has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2021.

The Library determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Library obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Library also considers whether its service arrangements include the right to control the use of an asset.

The Library made an accounting policy election under available Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2021, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Library made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term over the remaining term.

(j) Contribution

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. All revenue and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Support and Revenue Recognition

Support and revenue relating to contracts and grants are recognized in the period in which the services are provided. A receivable is recognized to the extent revenue earned exceeds cash received. Deferred revenue is recorded for the unearned portion of contract and grant revenue. The Library charges uncollectible receivables to expense in the year that they are determined to be uncollectible.

A portion of the revenue relating to services performed by MCLS, and the corresponding receivable, is based on an estimate of expenses incurred. This amount may be adjusted by the MCLS's ability to pay per the agreed-upon contract. The Library records any change in estimates as an adjustment to revenue in the year the amounts are determined.

(l) Expense Recognition and Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated by the Library amongst the program and supporting services benefited. Salaries and benefits are allocated on the basis of estimates of time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Library.

(m) Advertising Costs

Advertising costs are expensed as incurred.

(n) Subsequent Events

The Library has evaluated subsequent events through the date of this report, which is the date the financial statements were available for issuance.

(o) Income Taxes

The Library is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been provided for in the financial statements. The Library files its Return of Organization Exempt from Income Tax in the U.S. federal jurisdiction and its annual filing of charitable organization in New York State.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(2) Liquidity and Availability

Financial assets available for general expenditure that are, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and equivalents	\$ 2,682,950	1,191,995
Due from Monroe County and other governments	3,229,254	3,247,180
Due from City of Rochester	489,527	1,284,662
Due from City of Rochester - capital project	3,053,623	4,331,982
Due from Monroe County Library System and other grants receivable	681,461	681,951
Investments	<u>2,966,739</u>	<u>2,843,239</u>
Total financial assets	13,103,554	13,581,009
Less amounts not available to be used within one year:		
Due from City of Rochester	415,429	302,143
Investments	<u>2,935,166</u>	<u>2,813,546</u>
	<u>3,350,595</u>	<u>3,115,689</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>9,752,959</u>	<u>10,465,320</u>

The Library's goal is generally to maintain financial assets to meet current liabilities.

(3) Revenue and Concentrations

The Library receives support and revenue primarily from local and state government agencies. Support and revenue is recognized as services are performed. Certain of these revenues are subject to retroactive audit by the funding agencies. Any changes resulting from these audits are recognized in the year they become known.

During the years ended June 30, 2023 and 2022, the Library recognized \$7,158,349 and \$7,079,000 or 26% and 32%, respectively, of total support and revenue from Monroe County. At June 30, 2023 and 2022, the Library had amounts receivable from Monroe County of \$3,229,254 and \$3,247,180, respectively.

During the years ended June 30, 2023 and 2022, the Library recognized \$6,768,439 and \$6,939,889 or 40% and 32%, respectively, of total support and revenue from the City of Rochester. At June 30, 2023 and 2022, the Library had amounts receivable from the City of Rochester of \$489,527 and \$1,284,662, respectively.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(4) Investments

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. All investments are classified as level 1 as they are either cash or cash equivalents held in investment portfolios or are traded in an active market for which daily closing prices are available.

The following is a description of the valuation methodologies used for investments measured at fair value:

- Cash and Equivalents: Stated as cost plus accrued interest which approximates fair value.
- Mutual Funds: Valued at the net assets value (NAV) of shares held at year end.
- Exchange Traded Products and Government Bonds: Valued at the closing price reported in the active market in which the bond is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(4) Investments, Continued

The Library's investments consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and equivalents	\$ 11,879	11,879	31,173	31,173
Mutual funds	709,044	637,584	739,060	669,838
Exchange traded products	1,854,194	2,307,917	1,861,074	2,129,916
Government bonds	<u>32,373</u>	<u>9,359</u>	<u>32,893</u>	<u>12,312</u>
Total investments	\$ <u>2,607,490</u>	<u>2,966,739</u>	<u>2,664,200</u>	<u>2,843,239</u>

The following schedule summarizes the investment income (expense) for the years ending June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 80,162	88,249
Realized gain on sale of investments	49,335	36,618
Unrealized gain (loss) on investments	26,947	(479,512)
Fees	<u>(11,214)</u>	<u>(13,366)</u>
Investment income (expense), net	\$ <u>145,230</u>	<u>(368,011)</u>

(5) Contributions

Contribution revenue consists of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Reynolds Library	\$ 196,256	204,864
Friends and Foundation of the Rochester Public Library	142,992	97,824
Other	<u>11,436</u>	<u>19,032</u>
	\$ <u>350,684</u>	<u>321,720</u>

(6) Monroe County Library System, State Aid, Federal Aid and Other Grants

Monroe County Library System, state aid, Federal aid and other grant revenue consists of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Monroe County Library System	\$ 2,126,228	2,498,167
State Aid	2,292,262	423,395
Federal Aid	202,278	-
Other	<u>-</u>	<u>97,645</u>
	\$ <u>4,620,768</u>	<u>3,019,207</u>

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(6) Monroe County Library System, State Aid, Federal Aid and Other Grants, Continued

Due from Monroe County Library System (MCLS) and other grants receivable consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
MCLS grants	\$ 8,875	8,875
Other	<u>672,586</u>	<u>673,076</u>
	<u>\$ 681,461</u>	<u>681,951</u>

(7) Pension Plan

Plan Description: The Rochester Public Library participates in the New York State and Local Employees' Retirement System (ERS) through the City of Rochester. This is a cost-sharing multiple-employer retirement system. ERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The total contributions made by the City of Rochester for all employees was approximately \$13.6 million and \$10.3 million for the years ended June 30, 2023 and 2022, respectively. The portion allocated to the Library as of June 30, 2023 and 2022, is not reasonably determinable.

(8) Net Assets

(a) Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Library must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(8) Net Assets, Continued

(a) Net Assets With Donor Restrictions, Continued

At June 30, 2023 and 2022, net assets with donor restrictions are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Branch libraries	\$ 1,001,604	959,401
Use and maintenance of Rundel Library	583,792	559,194
Purchase of material for specific purposes	701,935	714,463
Development for new enhanced library services	97,386	64,662
Materials for the visually handicapped	349,879	326,190
City of Rochester Historian Office publications	409,812	385,384
Purchase of children's books	31,271	29,406
Other	<u>174,917</u>	<u>174,813</u>
Total net assets with donor restriction	\$ <u>3,350,596</u>	<u>3,213,513</u>

(b) Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Library, the environment in which it operates and the purposes specified in its corporate documents.

	<u>2023</u>	<u>2022</u>
Board designated endowment	\$ 34,035	30,392
Undesignated	<u>2,194,043</u>	<u>768,012</u>
Total net assets without donor restriction	\$ <u>2,228,078</u>	<u>798,404</u>

(9) Endowments

(a) Interpretation of Relevant Law

The Board of Trustees has interpreted New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the historical dollar value of the corpus of the permanent restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as donor restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 that is not classified in donor restricted net assets is classified as without donor restricted net assets.

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(9) Endowments, Continued

(b) Return Objectives and Risk Parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by these investments while seeking to maintain the historic value of those assets. These policies are applied to donor-restricted amounts.

In developing investment and spending policies, the Library considered the permanent nature of these funds, the possible effects of inflation and deflation, and the expected total return from income and appreciation.

(c) Strategies Employed for Achieving Objectives

The policy approved by the Board of Trustees requires that net assets with donor restrictions be invested in a combination of debt and equity securities, mutual funds, certificates of deposit, and/or money market funds to produce a reasonable return and a low/moderate level of investment risk.

To satisfy its long-term return objectives, the Library relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

(d) Spending Policy

Although all earnings on the endowment fund are restricted for specific purposes, the Library has a policy of limiting expenditures each year to 5% of its net assets with donor restrictions average fair value based on the ending value from the prior 12 quarters. In establishing this policy, the Library considered the long-term expected return on its endowment. Accordingly, over the long-term, the Library expects its current spending policy to maintain the value of the net assets with donor restrictions and have sufficient resources for expenditures that comply with those restrictions.

The following is a summary of the Library's endowment assets as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Board designated endowment	\$ 34,035	30,392
Donor designated endowment	<u>1,291,450</u>	<u>1,176,347</u>
Total endowment assets	\$ <u>1,325,485</u>	<u>1,206,739</u>

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(9) Endowments, Continued

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at June 30, 2021	\$ 35,482	1,376,693	1,412,175
Investment return	(4,032)	(145,561)	(149,593)
Contributions	-	11,542	11,542
Appropriation of endowment assets for expenditure	<u>(1,058)</u>	<u>(66,327)</u>	<u>(67,385)</u>
Endowment net assets at June 30, 2022	30,392	1,176,347	1,206,739
Investment return	2,113	70,416	72,529
Contributions	1,530	55,243	56,773
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(10,556)</u>	<u>(10,556)</u>
Endowment net assets at June 30, 2023	\$ <u>34,035</u>	<u>1,291,450</u>	<u>1,325,485</u>

(10) Leases

The Library has finance leases for equipment. As most of the Library's financing leases do not provide an implicit rate, the Library uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Library considers the interest that would be charged if the Library borrowed the money to purchase the asset when calculating its incremental borrowing rates. Amortization expense is recognized on a straight-line basis over the lease term. The Library is also a sub-lessor in 2 real estate leases with initial terms of 5 years. Sublease income for the year ended June 30, 2023 was \$42,770.

All leases have a lease term of 60 months with interest rates ranging from 1.3% to 2.7%. The Library's lease term includes any options to extend or terminate the lease when it is reasonably certain that the option will be exercised. The Library's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

	<u>2023</u>	<u>2022</u>
Finance lease cost - amortization of right to use assets	\$ 17,382	16,270
Finance lease cost - interest on lease liabilities	<u>1,375</u>	<u>141</u>
Total lease cost	\$ <u>18,757</u>	<u>16,411</u>

Average lease terms and discount rates as of June 30, 2023 and 2022 are as follows:

Weighted-average remaining finance lease term	2.5 years	2.5 years
Weighted-average discount rate	2.3%	2.3%

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(10) Leases, Continued

The aggregate future lease payments for finance leases as of June 30, 2023 were as follows:

2024		\$ 17,588
2025		18,208
2026		18,208
2027		15,003
2028		<u>7,375</u>
Total lease payments		\$ 76,382
Less imputed interest		<u>(1,115)</u>
Present value of lease liabilities		\$ <u>75,267</u>

(11) Contributed Nonfinancial Assets

The Library receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the years ended June 30, 2023 and 2022, 599 and 238 active volunteers provided approximately 3,900 and 1,520 hours of service, respectively. The increase in volunteer hours was due to more activities resuming as COVID-19 restrictions were lifted.

(12) Transactions With the City of Rochester

(a) Purchased Services

The Library obtains professional management, accounting, legal and maintenance services from the City of Rochester on an allocated basis. Costs of all personnel and their related benefits are included in Program Services and General and Administrative expense in the accompanying financial statements as all Library personnel are employees of the City of Rochester. The cost of these services for the years ended June 30, 2023 and 2022, was \$14,342,939 and \$13,287,216, respectively.

(b) Due From/Due To City of Rochester

In connection with the contracted services arrangement described above, the Library has, at any point in time, an amount due to or from the City of Rochester related to the timing difference between charges for services provided and amounts paid to the City. In addition, the Library does not maintain its own cash accounts, except for petty cash and change funds. All cash received on behalf of the Library is deposited into the City's cash accounts. Similarly, disbursements are made on behalf of the Library from the City's cash accounts. The following comprise the amounts due from and to the City at June 30, 2023 and 2022:

ROCHESTER PUBLIC LIBRARY
Notes to Financial Statements, Continued

(12) Transactions With the City of Rochester, Continued

	<u>2023</u>		<u>2022</u>	
	<u>Due from City</u>	<u>Due to City</u>	<u>Due from City</u>	<u>Due to City</u>
Trust funds	\$ 370,809	245,000	315,265	1,068,810
Amounts owed for benefits	118,718	245,507	969,397	627,792
Accrued vacation and salaries	-	412,783	-	1,404,018
Due from City of Rochester - capital project	3,053,623	-	4,331,982	-
Bond anticipation note	-	1,561,000	-	6,000,000
Bond	<u>-</u>	<u>4,125,000</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>3,543,150</u>	<u>6,589,290</u>	<u>5,616,644</u>	<u>9,100,620</u>

(c) Transfer to/from City

In connection with its annual contracted allocation from the City, the Library is required to expend a specific amount in support of the City's capital needs related to the Library. Because the building and other capital assets related to the Library are not assets of the Library, these expenses are recorded as transfers to the City. For the years ended June 30, 2023 and 2022, the Library incurred \$589,000 and \$2,724,418, respectively, of such capital costs related to the building improvements. In the year ended June 30, 2023 the Library also made transfers of \$1,467,000 to the City.

The buildings that house the Central Library and the branches are owned by the City of Rochester. The Library uses the facilities without charge. An estimate of the fair value of the rent for this donated space has been recorded as contribution revenue and rent expense in the accompanying Statement of Activities. Contributed nonfinancial assets was estimated at \$4,264,270 for each of the years ended June 30, 2023 and 2022.

(13) Due From Friends and Foundation of the Rochester Public Library

The Friends and Foundation of the Rochester Public Library (the Foundation) raises money to support programs conducted at the Library. At June 30, 2023 and 2022, the Library has recorded receivables from the Foundation in the amount of \$100,000 and \$97,824, respectively, for funds raised on its behalf by the Foundation. At its discretion, the Foundation also grants monies and goods for other projects throughout the year.



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Brie Harrison, Finance Director | 585-428-8056 | Brie.Harrison@libraryweb.org

January 22, 2024

EFPR Group, CPAs, PLLC
6390 Main Street, Suite 200
Williamsville, NY 14221

This representation letter is provided in connection with your audit of the financial statements of Rochester Public Library (the Library) (a component unit of the City of Rochester, New York) which comprise the statements of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 2, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data we used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Library's accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Library is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) As part of your audit, you assisted with the preparation of the financial statements, schedule of expenditures of federal awards, related notes and depreciation schedules and assisted with other bookkeeping services, tax services, and other nonaudit services you provided. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for the financial statements, schedule of expenditures of federal awards, related notes, other bookkeeping services, tax services, and other nonaudit services you provided.

Information Provided

- 13) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Library from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Library and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Library's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- 19) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 20) We have disclosed to you the identity of the Library's related parties and all the related-party relationships and transactions of which we are aware.
- 21) The Library has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23) Rochester Public Library is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Library's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 24) In regard to the tax return preparation services performed by you, we have—
- Assumed all management responsibilities.
 - Designated an individual who has suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.



Bernadette (Brie) Harrison, Finance Director