

AUDITED  
FINANCIAL STATEMENTS

# ROCHESTER PUBLIC LIBRARY

---

JUNE 30, 2021

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

**ROCHESTER PUBLIC LIBRARY  
TABLE OF CONTENTS**

---

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-16

**DRAFT**  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

**ROCHESTER PUBLIC LIBRARY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,240,397	\$ 776,393
Due from Monroe County and other governments	2,198,799	2,761,177
Due from City of Rochester	1,698,923	885,599
Due from City of Rochester - capital project	4,353,543	-
Due from Monroe County Library System and other grants receivable	355,730	45,302
Due from Friends & Foundation of the Rochester Public Library	94,750	82,500
Prepaid expenses - capital	-	130,821
Total current assets	<u>9,942,142</u>	<u>4,681,792</u>
<b>Other assets:</b>		
Investments	<u>3,319,408</u>	<u>2,743,328</u>
Total assets	<u>\$ 13,261,550</u>	<u>\$ 7,425,120</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 603,543	\$ 707,655
Deferred revenue	84,179	-
Due to City of Rochester	6,504,723	2,397,286
Total current liabilities	<u>7,192,445</u>	<u>3,104,941</u>
<b>Net Assets:</b>		
Without donor restrictions	2,340,069	1,166,031
With donor restrictions	3,729,036	3,154,148
Total net assets	<u>6,069,105</u>	<u>4,320,179</u>
Total liabilities and net assets	<u>\$ 13,261,550</u>	<u>\$ 7,425,120</u>

See accompanying notes.

**ROCHESTER PUBLIC LIBRARY  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30,**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues:</b>						
Contributions	\$ 185,008	\$ 100,631	\$ 285,639	\$ -	\$ 296,943	\$ 296,943
In-kind contributions	4,264,270	-	4,264,270	4,345,688	-	4,345,688
Monroe County	6,781,555	-	6,781,555	6,594,587	-	6,594,587
City of Rochester	10,527,143	-	10,527,143	6,847,234	-	6,847,234
Monroe County Library System, state aid and other grants	2,956,069	-	2,956,069	2,954,431	-	2,954,431
Fines and fees	278,064	-	278,064	299,139	-	299,139
Net assets released from restrictions	239,838	(239,838)	-	391,972	(391,972)	-
Total support and revenues	25,231,947	(139,207)	25,092,740	21,433,051	(95,029)	21,338,022
<b>Expenses:</b>						
Program services	17,132,346	-	17,132,346	17,051,317	-	17,051,317
General and administrative	2,802,645	-	2,802,645	2,796,876	-	2,796,876
Total operating expenses before transfer	19,934,991	-	19,934,991	19,848,193	-	19,848,193
Transfer to City of Rochester	4,328,943	-	4,328,943	1,083,712	-	1,083,712
Total expenses and transfer	24,263,934	-	24,263,934	20,931,905	-	20,931,905
<b>Other income (expense):</b>						
Investment income (expense), net	7,651	714,095	721,746	12,907	(13,869)	(962)
Refund of prior year expense	198,374	-	198,374	128,803	-	128,803
Total other income (expense)	206,025	714,095	920,120	141,710	(13,869)	127,841
Change in net assets	1,174,038	574,888	1,748,926	642,856	(108,898)	533,958
<b>Net assets - beginning of year</b>	<u>1,166,031</u>	<u>3,154,148</u>	<u>4,320,179</u>	<u>523,175</u>	<u>3,263,046</u>	<u>3,786,221</u>
<b>Net assets - end of year</b>	<u>\$ 2,340,069</u>	<u>\$ 3,729,036</u>	<u>\$ 6,069,105</u>	<u>\$ 1,166,031</u>	<u>\$ 3,154,148</u>	<u>\$ 4,320,179</u>

See accompanying notes.

**ROCHESTER PUBLIC LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

---

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Books and materials	\$ 1,299,708	\$ -	\$ 1,299,708
Building and equipment	133,755	14,862	148,617
Communications	28,682	3,187	31,869
Equipment fees	46,588	5,177	51,765
Other	47,500	5,278	52,778
Professional fees	517,336	57,482	574,818
Purchased services- salaries and benefits	10,574,552	2,165,872	12,740,424
Rent	3,837,843	426,427	4,264,270
Service charges	-	52,443	52,443
Supplies	108,157	12,017	120,174
Training and travel	3,848	525	4,373
Utilities	534,377	59,375	593,752
	<u>17,132,346</u>	<u>2,802,645</u>	<u>19,934,991</u>
Total expenses	\$ <u>17,132,346</u>	\$ <u>2,802,645</u>	\$ <u>19,934,991</u>

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

**ROCHESTER PUBLIC LIBRARY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Books and materials	\$ 1,208,547	\$ -	\$ 1,208,547
Building and equipment	118,365	13,152	131,517
Communications	10,269	1,141	11,410
Equipment fees	53,613	5,957	59,570
Other	73,259	8,140	81,399
Postage	1,036	64	1,100
Printing and advertising	977	109	1,086
Professional fees	597,397	66,377	663,774
Purchased services- salaries and benefits	10,474,378	2,145,354	12,619,732
Rent	3,837,843	426,427	4,264,270
Service charges	-	54,464	54,464
Supplies	127,074	14,119	141,193
Training and travel	24,563	3,349	27,912
Utilities	523,997	58,222	582,219
	<hr/>	<hr/>	<hr/>
Total expenses	\$ <u>17,051,317</u>	\$ <u>2,796,876</u>	\$ <u>19,848,193</u>

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision

**ROCHESTER PUBLIC LIBRARY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30,**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,748,926	\$ 533,958
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized/unrealized loss (gain) on investments	(676,792)	65,415
Changes in assets and liabilities:		
Decrease in due from Monroe County and other governments	562,378	173,282
Increase in due from City of Rochester	(5,166,867)	(170,863)
(Increase) decrease in due from Monroe County Library		
System and other grants receivable	(310,428)	16,597
Increase in due from Friends & Foundation of the Rochester Public Library	(12,250)	-
(Increase) decrease in prepaid expenses	130,821	(130,821)
Increase (decrease) in accounts payable	(104,112)	517,273
Increase in due to City of Rochester	4,107,437	90,355
Decrease in deferred revenue	-	(683,289)
<b>Net cash provided by operating activities</b>	<b>279,113</b>	<b>411,907</b>
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investments	519,514	635,114
Purchases of investments	(349,441)	(473,314)
<b>Net cash provided by investing activities</b>	<b>170,073</b>	<b>161,800</b>
<b>Increase in cash and cash equivalents</b>	<b>449,186</b>	<b>573,707</b>
Cash and cash equivalents - beginning of year	897,914	324,207
Cash and cash equivalents - end of year	<u>\$ 1,347,100</u>	<u>\$ 897,914</u>
<b>Supplemental cash flow information:</b>		
Non-cash investing activities:		
In-kind contributions received	<u>\$ 4,264,270</u>	<u>\$ 4,354,688</u>
<b>The following table provides a reconciliation of cash to amounts reported within the Statement of Financial Position:</b>		
Cash and cash equivalents	\$ 1,240,397	\$ 776,393
Cash included in investment portfolio	106,703	121,521
	<u>\$ 1,347,100</u>	<u>\$ 897,914</u>

See accompanying notes.

# ROCHESTER PUBLIC LIBRARY

## NOTES TO THE FINANCIAL STATEMENTS

---

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** - The Rochester Public Library (the Library) is a not-for-profit organization that enriches the quality of life in Rochester and Monroe 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 of Rochester (the City) and Monroe County (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.

**Basis of Accounting** - The Library's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

**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 Monroe County Library System (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.

**Financial Statement Presentation:** The financial statements of the Library have been prepared in accordance with U.S. GAAP, 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 grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions 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.

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 and changes in net assets.

**Classification of Transactions:** All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities and changes in net assets 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.

**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 is 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.



## ROCHESTER PUBLIC LIBRARY

### NOTES TO THE FINANCIAL STATEMENTS

---

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.

**Advertising Costs** - Advertising costs are expensed as incurred.

**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.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Library considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**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, 2021 and 2020.

**Investments** - In accordance with U.S. GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the statement 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.

**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.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Recently Issued Accounting Standard Updates (ASU):** The following ASUs have been issued recently and are being evaluated by the Library for their potential impact in future years.

- ASU 2016-02, 2018-10, 2018-11, 2018-20, 2019-01 and 2021-09 *Leases* which will be effective for the year ending June 30, 2023;
- ASU 2019-03 *Not-for-Profit Entities – Collections* which will be effective for the year ending June 30, 2022; and
- ASU 2020-07 *Not-for-Profit Entities, Presentation and Disclosure by Not-for-Profit Entities for Contribution of Nonfinancial Assets* which will be effective for the year ending June 30, 2022.

# ROCHESTER PUBLIC LIBRARY

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year of June 30, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,240,397	\$ 776,393
Due from Monroe County and other governments	2,198,799	2,761,177
Due from City of Rochester	1,698,923	885,599
Due from City of Rochester - capital project	4,353,543	-
Due from Monroe County Library System and other grants receivable	355,730	45,302
Investments	3,319,408	2,743,328
Total financial assets	<u>13,166,800</u>	<u>7,211,799</u>
Less amounts not available to be used within one year:		
Due from City of Rochester	426,167	432,610
Investments	3,220,368	2,639,038
	<u>3,646,535</u>	<u>3,071,648</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,520,265</u>	<u>\$ 4,140,151</u>

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

### NOTE 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, 2021 and 2020, the Library recognized \$6,781,555 and \$6,594,587 or 26% and 30%, respectively, of total support and revenue from Monroe County. At June 30, 2021 and 2020, the Library had amounts receivable from Monroe County of \$1,482,805 and \$2,125,660, respectively.

During the years ended June 30, 2021 and 2020, the Library recognized \$10,527,143 and \$6,847,234 or 40% and 32%, respectively, of total support and revenue from the City of Rochester. At June 30, 2021 and 2020, the Library had amounts receivable from the City of Rochester of \$1,698,923 and \$885,599, respectively.

### NOTE 4. INVESTMENTS

U.S. GAAP establish a framework 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.

**ROCHESTER PUBLIC LIBRARY**

**NOTES TO THE FINANCIAL STATEMENTS**

- 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 Cash 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.

The Library's investments consisted of the following at June 30.

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash and cash equivalents	\$ 106,703	\$ 106,703	\$ 121,521	\$ 121,521
Mutual funds	705,760	761,947	662,908	664,782
Exchange traded products	1,814,511	2,431,643	1,903,864	1,929,017
Government bonds	33,901	19,115	35,391	28,008
Total investments	<u>\$ 2,660,875</u>	<u>\$ 3,319,408</u>	<u>\$ 2,723,684</u>	<u>\$ 2,743,328</u>

**ROCHESTER PUBLIC LIBRARY**

**NOTES TO THE FINANCIAL STATEMENTS**

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 106,703	\$ 121,521
Mutual funds:		
Equity income	-	175,847
Real estate	-	488,935
Stock funds	190,117	-
Bond funds	571,830	-
Total mutual funds	<u>761,947</u>	<u>664,782</u>
Exchange traded products (ETPs):		
Equity ETPs	1,999,730	1,690,710
Fixed income ETPs	431,913	238,307
Total ETPs	<u>2,431,643</u>	<u>1,929,017</u>
Government bonds:		
Mortgage notes	19,115	28,008
Total government bonds	<u>19,115</u>	<u>28,008</u>
	<u>\$ 3,319,408</u>	<u>\$ 2,743,328</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 56,432	\$ 76,600
Realized gain (loss) on sale of investments	68,789	(53,363)
Unrealized gain (loss) on investments	608,003	(12,052)
Fees	<u>(11,478)</u>	<u>(12,147)</u>
Investment income (expense), net	<u>\$ 721,746</u>	<u>\$ (962)</u>

**NOTE 5. CONTRIBUTIONS**

Contribution revenue consists of the following for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Reynolds Library	\$ 185,008	\$ 184,919
Friends & Foundation of the Rochester Public Library	94,750	82,500
Other	<u>5,881</u>	<u>29,524</u>
	<u>\$ 285,639</u>	<u>\$ 296,943</u>

**ROCHESTER PUBLIC LIBRARY**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 6. MONROE COUNTY LIBRARY SYSTEM, STATE AID AND OTHER GRANTS**

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

	<u>2021</u>	<u>2020</u>
Monroe County Library System	\$ 2,326,334	\$ 2,420,015
State Aid	338,627	301,964
Federal Aid	193,445	-
MCLS (Outreach Services)	-	132,206
Other	<u>97,663</u>	<u>100,246</u>
	<u>\$ 2,956,069</u>	<u>\$ 2,954,431</u>

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

	<u>2021</u>	<u>2020</u>
Literacy Aides	\$ 42,500	\$ 42,500
MCLS grants	207,185	-
Other	<u>106,045</u>	<u>2,802</u>
	<u>\$ 355,730</u>	<u>\$ 45,302</u>

**NOTE 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. The System 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 during the years ended June 30, 2021 and 2020, were approximately \$13.9 million and \$12.9 million for the years ended June 30, 2021 and 2020, respectively. The portion allocated to the Library as of June 30, 2021 and 2020, is not reasonably determinable.

**NOTE 8. NET ASSETS**

**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 THE FINANCIAL STATEMENTS**

At June 30, 2021 and 2020, net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Branch libraries	\$ 1,109,792	\$ 909,011
Use and maintenance of Rundel Library	646,851	529,823
Purchase of material for specific purposes	82,500	82,500
Development for new enhanced library services	718,943	628,845
Materials for the visually handicapped	385,040	321,547
Supplemental materials and programs	34,207	28,038
City of Rochester Historian Office publications	449,178	368,330
Purchase of children's books	69,521	49,843
Other	233,004	236,211
Total net assets with donor restriction	<u>\$ 3,729,036</u>	<u>\$ 3,154,148</u>

**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>2021</u>	<u>2020</u>
Board designated endowment	\$ 35,482	\$ 29,236
Undesignated	2,304,587	1,136,795
Total net assets without donor restriction	<u>\$ 2,340,069</u>	<u>\$ 1,166,031</u>

**NOTE 9. ENDOWMENTS**

**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.

**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.

**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).

**ROCHESTER PUBLIC LIBRARY**

**NOTES TO THE FINANCIAL STATEMENTS**

**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:

	<u>2021</u>	<u>2020</u>
Board designated endowment	\$ 35,482	\$ 29,236
Donor designated endowment	1,376,693	1,163,249
Total endowment assets	<u>\$ 1,412,175</u>	<u>\$ 1,192,485</u>

Changes in the Library's endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ 34,865	\$ 1,217,948	\$ 1,252,813
Investment return	(149)	(5,364)	(5,513)
Adjustment	1	180	181
Contributions	-	11,475	11,475
Appropriation of endowment assets for expenditure	(5,481)	(60,990)	(66,471)
Endowment net assets, June 30, 2020	<u>29,236</u>	<u>1,163,249</u>	<u>1,192,485</u>
Investment return	7,651	276,213	283,864
Adjustment	139	4,813	4,952
Appropriation of endowment assets for expenditure	(1,544)	(67,582)	(69,126)
Endowment net assets, June 30, 2021	<u>\$ 35,482</u>	<u>\$ 1,376,693</u>	<u>\$ 1,412,175</u>

**NOTE 10. OPERATING LEASES**

The Library is obligated under non-cancelable operating leases for equipment. The leases are scheduled to expire at various dates through 2023. Rental expenses totaled \$18,241 and \$21,325 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments commitments are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 17,771
2023	6,751
	<u>\$ 24,522</u>

**NOTE 11. DONATED SERVICES AND GOODS**

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, 2021 and 2020, approximately 312 and 786 active volunteers provided approximately 337 and 3,684 hours of service, respectively. The decrease in volunteer hours was due to the decrease in hours associated with the Library's Local History and Genealogy Division, along with the COVID-19 pandemic. Due to the pandemic and the governor's capacity and operational restrictions, there were multiple months throughout the year where the Library Branches were not accepting volunteers and operating with certain program restrictions.

**ROCHESTER PUBLIC LIBRARY**

**NOTES TO THE FINANCIAL STATEMENTS**

The Library also receives donated goods that 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, 2021 and 2020, the Library recognized \$0 and \$81,418, respectively, of in-kind donations. In 2020, these consisted mainly of equipment maintenance, furniture and other supplies. See Note 12 for information on donated use of space.

**NOTE 12. TRANSACTIONS WITH THE CITY OF ROCHESTER**

**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, 2021 and 2020, was \$12,740,424 and \$12,619,732, respectively.

**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:

	<u>2021</u>		<u>2020</u>	
	<u>Due from City</u>	<u>Due to City</u>	<u>Due from City</u>	<u>Due to City</u>
Trust funds	\$ 374,209	\$ 216,474	\$ 372,646	\$ -
Amounts owed for benefits	1,324,714	1,039,153	512,953	614,401
Accrued vacation and salaries	-	1,398,096	-	679,885
Due from City of Rochester - capital project	4,353,543	-	-	-
Bond anticipation note	-	3,851,000	-	1,103,000
	<u>\$ 6,052,466</u>	<u>\$ 6,504,723</u>	<u>\$ 885,599</u>	<u>\$ 2,397,286</u>

**Transfer to 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, 2021 and 2020, the Library incurred \$4,328,943 and \$1,083,712, respectively, of such capital costs related to the building improvements.

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. Donated rent was estimated at \$4,264,270 for the years ended June 30, 2021 and 2020.

**NOTE 13. DUE FROM FRIENDS & FOUNDATION OF THE ROCHESTER PUBLIC LIBRARY**

The Friends & Foundation of the Rochester Public Library (the Foundation) raises money to support programs conducted at the Library. At June 30, 2021 and 2020, the Library has recorded receivables from the Foundation in the amount of \$94,750 and \$82,500, 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. For the years ended June 30, 2021 and 2020, the Foundation donated \$0 and \$81,418, respectively, in goods and services for the Library.



NOTES TO THE FINANCIAL STATEMENTS

---

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include forced closures for certain types of public places, including public libraries. The Library’s administration has assessed these events and the impact of these restrictions and closures related to the Library’s operations.

The Library receives significant support from local tax revenues, and to a lesser extent from state aid. This and public use revenue from the library will be negatively impacted by the pandemic effects on the overall economy and with Library visitation. The Library’s administration has assessed the financial condition and potential impact on revenue and believes the Library has assets and fund balances to absorb these potential decreases in revenues for 2021/2022.

**NOTE 15. SUBSEQUENT EVENTS**

These financial statements have not been updated for subsequent events occurring after January XX, 2022, which is the date these financial statements were available to be issued.

DRAFT  
Tentative and Preliminary  
For Discussion and Internal  
Purposes Only-Subject to Revision