

**AUDITED
FINANCIAL STATEMENTS**

ROCHESTER PUBLIC LIBRARY

JUNE 30, 2020

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**ROCHESTER PUBLIC LIBRARY
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to the Financial Statements	8-17

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Rochester Public Library
Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Rochester Public Library (the Library), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library as of June 30, 2020 and 2019, 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.

Freed Maxick CPAs, P.C.
Rochester, New York
December 23, 2020

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 776,393	\$ 283,582
Due from Monroe County and other governments	2,761,177	2,934,459
Due from City of Rochester	885,599	714,736
Due from Monroe County Library System and other grants receivable	45,302	61,899
Due from Friends & Foundation of the Rochester Public Library	82,500	82,500
Prepaid expenses - capital	130,821	-
Total current assets	<u>4,681,792</u>	<u>4,077,176</u>
Other assets:		
Investments	<u>2,743,328</u>	<u>2,889,647</u>
Total assets	<u>\$ 7,425,120</u>	<u>\$ 6,966,823</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 707,655	\$ 190,382
Due to City of Rochester	2,397,286	2,306,931
Deferred revenue	-	683,289
Total current liabilities	<u>3,104,941</u>	<u>3,180,602</u>
Net Assets:		
Without donor restrictions	1,166,031	523,175
With donor restrictions	<u>3,154,148</u>	<u>3,263,046</u>
Total net assets	<u>4,320,179</u>	<u>3,786,221</u>
Total liabilities and net assets	<u>\$ 7,425,120</u>	<u>\$ 6,966,823</u>

See accompanying notes.

**ROCHESTER PUBLIC LIBRARY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Contributions	\$ -	\$ 296,943	\$ 296,943
In-kind contributions	4,345,688	-	4,345,688
Monroe County	6,594,587	-	6,594,587
City of Rochester	6,847,234	-	6,847,234
Monroe County Library System, state aid and other grants	2,954,431	-	2,954,431
Fines and fees	299,139	-	299,139
Net assets released from restrictions	391,972	(391,972)	-
Total support and revenues	<u>21,433,051</u>	<u>(95,029)</u>	<u>21,338,022</u>
Expenses:			
Program services	17,051,317	-	17,051,317
General and administrative	<u>2,796,876</u>	<u>-</u>	<u>2,796,876</u>
Total operating expenses before transfer	19,848,193	-	19,848,193
Transfer to City of Rochester	<u>1,083,712</u>	<u>-</u>	<u>1,083,712</u>
Total expenses and transfer	20,931,905	-	20,931,905
Other income (expense):			
Investment income (expense), net	12,907	(13,869)	(962)
Refund of prior year expense	<u>128,803</u>	<u>-</u>	<u>128,803</u>
Total other income (expense)	<u>141,710</u>	<u>(13,869)</u>	<u>127,841</u>
Change in net assets	642,856	(108,898)	533,958
Net assets - beginning of year	<u>523,175</u>	<u>3,263,046</u>	<u>3,786,221</u>
Net assets - end of year	<u>\$ 1,166,031</u>	<u>\$ 3,154,148</u>	<u>\$ 4,320,179</u>

See accompanying notes.

**ROCHESTER PUBLIC LIBRARY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Contributions	\$ -	\$ 295,928	\$ 295,928
In-kind contributions	4,379,858	-	4,379,858
Monroe County	6,806,215	-	6,806,215
City of Rochester	6,665,393	-	6,665,393
Monroe County Library System, state aid and other grants	3,096,727	-	3,096,727
Fines and fees	315,909	-	315,909
Net assets released from restrictions	<u>388,615</u>	<u>(388,615)</u>	<u>-</u>
Total support and revenues	<u>21,652,717</u>	<u>(92,687)</u>	<u>21,560,030</u>
Expenses:			
Program services	17,431,534	-	17,431,534
General and administrative	<u>2,863,807</u>	<u>-</u>	<u>2,863,807</u>
Total operating expenses before transfer	20,295,341	-	20,295,341
Transfer to City of Rochester	<u>950,063</u>	<u>-</u>	<u>950,063</u>
Total expenses and transfer	<u>21,245,404</u>	<u>-</u>	<u>21,245,404</u>
Other income:			
Investment income, net	3,487	239,726	243,213
Refund of prior year expense	<u>64,868</u>	<u>-</u>	<u>64,868</u>
Total other income	<u>68,355</u>	<u>239,726</u>	<u>308,081</u>
Change in net assets	475,668	147,039	622,707
Net assets - beginning of year	<u>47,507</u>	<u>3,116,007</u>	<u>3,163,514</u>
Net assets - end of year	<u>\$ 523,175</u>	<u>\$ 3,263,046</u>	<u>\$ 3,786,221</u>

See accompanying notes.

**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
	<u>523,997</u>	<u>58,222</u>	<u>582,219</u>
Total expenses	<u>\$ 17,051,317</u>	<u>\$ 2,796,876</u>	<u>\$ 19,848,193</u>

See accompanying notes.

**ROCHESTER PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Books and materials	\$ 1,282,143	\$ -	\$ 1,282,143
Building and equipment	166,595	18,511	185,106
Communications	12,205	1,356	13,561
Equipment fees	47,736	5,304	53,040
Other	39,171	4,352	43,523
Postage	10,018	64	10,082
Printing and advertising	3,811	424	4,235
Professional fees	589,518	65,502	655,020
Purchased services- salaries and benefits	10,644,231	2,180,144	12,824,375
Rent	3,837,843	426,427	4,264,270
Service charges	-	72,361	72,361
Supplies	173,740	19,304	193,044
Training and travel	26,400	3,600	30,000
Utilities	598,123	66,458	664,581
 Total expenses	 \$ <u>17,431,534</u>	 \$ <u>2,863,807</u>	 \$ <u>20,295,341</u>

See accompanying notes.

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

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 533,958	\$ 622,707
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized/unrealized loss (gain) on investments	65,415	(324,787)
Changes in assets and liabilities:		
Decrease in due from Monroe County and other governments	173,282	136,984
Increase in due from City of Rochester	(170,863)	(29,809)
(Increase) decrease in due from Monroe County Library System and other grants receivable	16,597	(16,337)
Increase in prepaid expenses	(130,821)	-
Increase (decrease) in accounts payable	517,273	(122,897)
Increase (decrease) in due to City of Rochester	90,355	(312,626)
Increase (decrease) in deferred revenue	(683,289)	46,737
Net cash provided (used) by operating activities	411,907	(28)
Cash flows from investing activities:		
Proceeds from the sale of investments	635,114	5,414,262
Purchases of investments	(473,314)	(5,145,456)
Net cash provided by investing activities	161,800	268,806
Increase in cash and cash equivalents	573,707	268,778
Cash and cash equivalents - beginning of year	324,207	55,429
Cash and cash equivalents - end of year	\$ 897,914	\$ 324,207
Supplemental cash flow information:		
Non-cash investing activities:		
In-kind contributions received	\$ 4,345,688	\$ 4,379,858
The following table provides a reconciliation of cash to amounts reported within the Statement of Financial Position:		
Cash and cash equivalents	\$ 776,393	\$ 283,582
Cash included in investment portfolio	121,521	40,625
	\$ 897,914	\$ 324,207

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 and 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, where by 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. For the years ending June 30, 2020 and 2019, the Library had no income as restricted proceeds from the sale of books.

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, 2020 and 2019.

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 2014-09, 2015-14, 2016-12 and 2016-20 *Revenue from Contracts with Customers* which will be effective for the year ending June 30, 2021;
- ASU 2016-02, 2018-10, 2018-11, 2018-20 and 2019-01 *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, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 776,393	\$ 283,582
Due from Monroe County and other governments	2,761,177	2,934,459
Due from City of Rochester	885,599	714,736
Due from Monroe County Library System and other grants receivable	45,302	61,899
Investments	<u>2,743,328</u>	<u>2,889,647</u>
Total financial assets	<u>7,211,799</u>	<u>6,884,323</u>
Less amounts not available to be used within one year:		
Due from City of Rochester	432,610	395,841
Investments	<u>2,639,038</u>	<u>2,784,705</u>
	<u>3,071,648</u>	<u>3,180,546</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,140,151</u>	<u>\$ 3,703,777</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, 2020 and 2019, the Library recognized \$6,594,587 and \$6,806,215 or 30% and 32%, respectively, of total support and revenue from Monroe County. At June 30, 2020 and 2019, the Library had amounts receivable from Monroe County of \$2,125,660 and \$2,271,530, respectively.

During the years ended June 30, 2020 and 2019, the Library recognized \$6,847,234 and \$6,665,393 or 32% and 31%, respectively, of total support and revenue from the City of Rochester. At June 30, 2020 and 2019, the Library had amounts receivable from the City of Rochester of \$885,599 and \$714,736, 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>Cost</u>	<u>2020</u> <u>Fair value</u>	<u>Cost</u>	<u>2019</u> <u>Fair value</u>
Cash and cash equivalents	\$ 121,521	\$ 121,521	\$ 40,625	\$ 40,625
Mutual funds	662,908	664,782	1,001,422	1,008,674
Exchange traded products	1,903,864	1,929,017	1,756,195	1,783,712
Government bonds	35,391	28,008	50,029	56,636
Total investments	<u>\$ 2,723,684</u>	<u>\$ 2,743,328</u>	<u>\$ 2,848,271</u>	<u>\$ 2,889,647</u>

ROCHESTER PUBLIC LIBRARY

NOTES TO THE FINANCIAL STATEMENTS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 121,521	\$ 40,625
Mutual funds:		
Equity income	175,847	360,273
Real estate	488,935	648,401
Total mutual funds	<u>664,782</u>	<u>1,008,674</u>
Exchange traded products (ETPs):		
Equity ETPs	1,690,710	1,564,588
Fixed income ETPs	238,307	198,474
Other ETPs	-	20,650
Total mutual funds	<u>1,929,017</u>	<u>1,783,712</u>
Government bonds:		
Mortgage notes	<u>28,008</u>	<u>56,636</u>
Total government bonds	<u>28,008</u>	<u>56,636</u>
	<u>\$ 2,743,328</u>	<u>\$ 2,889,647</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 76,600	\$ 65,740
Realized gain on sale of investments	(53,363)	258,392
Unrealized gain on investments	(12,052)	66,395
Disbursements	-	(132,410)
Fees	<u>(12,147)</u>	<u>(14,904)</u>
Investment income, net	<u>\$ (962)</u>	<u>\$ 243,213</u>

NOTE 5. CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Reynolds Library	\$ 184,919	\$ 183,809
Friends & Foundation of the Rochester Public Library	82,500	102,692
Other	<u>29,524</u>	<u>9,427</u>
	<u>\$ 296,943</u>	<u>\$ 295,928</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 year ended June 30:

	<u>2020</u>	<u>2019</u>
Monroe County Library System	\$ 2,420,015	\$ 2,562,374
State Aid	301,964	302,018
MCLS (Outreach Services)	132,206	132,140
Other	<u>100,246</u>	<u>100,195</u>
	<u>\$ 2,954,431</u>	<u>\$ 3,096,727</u>

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

	<u>2020</u>	<u>2019</u>
Literacy Aides	\$ 42,500	\$ 42,500
MCLS online fees	-	15,213
Other	<u>2,802</u>	<u>4,186</u>
	<u>\$ 45,302</u>	<u>\$ 61,899</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, 2020 and 2019, were approximately \$12.9 million for both years. The portion allocated to the Library as of June 30, 2020 and 2019, 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, 2020 and 2019, net assets with donor restrictions are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Branch libraries	\$ 909,011	\$ 959,320
Use and maintenance of Rundel Library	529,823	559,147
Purchase of material for specific purposes	82,500	648,786
Development for new enhanced library services	628,845	17,939
Materials for the visually handicapped	321,547	341,659
Supplemental materials and programs	28,038	82,500
City of Rochester Historian Office publications	368,330	388,588
Purchase of children's books	49,843	29,584
Other	236,211	235,523
Total net assets with donor restriction	<u>\$ 3,154,148</u>	<u>\$ 3,263,046</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>2020</u>	<u>2019</u>
Board designated endowment	\$ 29,236	\$ 34,865
Undesignated	1,136,795	488,310
Total net assets without donor restriction	<u>\$ 1,166,031</u>	<u>\$ 523,175</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>2020</u>	<u>2019</u>
Board designated endowment	\$ 29,236	\$ 34,865
Donor designated endowment	1,163,249	1,217,948
Total endowment assets	<u>\$ 1,192,485</u>	<u>\$ 1,252,813</u>

Changes in the Library's endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2018	\$ 32,481	\$ 1,172,865	\$ 1,205,346
Investment return	2,542	91,793	94,335
Contributions	-	11,632	11,632
Appropriation of endowment assets for expenditure	(158)	(58,342)	(58,500)
Endowment net assets, June 30, 2019	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>

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 expense for the years ended June 30, 2020 and 2019, totaled \$21,325, for both years.

Future minimum lease payments commitments are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 18,241
2022	17,771
2023	6,751
	<u>\$ 42,763</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, 2020 and 2019, approximately 786 and 1,074 active volunteers provided approximately 3,684 and 4,972 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 stay home order, there were several months where the volunteers were not allowed to leave their houses to complete volunteer hours.

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, 2020 and 2019, the Library recognized \$81,418 and \$115,588, respectively, of in-kind donations. 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, 2020 and 2019, was \$12,619,732 and \$12,824,375, 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>2020</u>		<u>2019</u>	
	<u>Due from City</u>	<u>Due to City</u>	<u>Due from City</u>	<u>Due to City</u>
Trust funds	\$ 372,646	\$ -	\$ 347,684	\$ -
Amounts owed for benefits	512,953	614,401	367,052	389,206
Accrued vacation and salaries	-	679,885	-	1,237,725
Bond anticipation note	-	1,103,000	-	680,000
	<u>\$ 885,599</u>	<u>\$ 2,397,286</u>	<u>\$ 714,736</u>	<u>\$ 2,306,931</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, 2020 and 2019, the Library incurred \$1,083,712 and \$950,063, 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, 2020 and 2019.

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, 2020 and 2019, the Library has recorded receivables from the Foundation in the amount of \$82,500 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, 2020 and 2019, the Foundation donated \$81,418 and \$115,588, respectively, in goods and services for the Library.

ROCHESTER PUBLIC 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 2020/2021.

NOTE 15. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after December 23, 2020, which is the date these financial statements were available to be issued.

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