

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Financial Statements  
June 30, 2024 and 2023  
(With Independent Auditors' Report Thereon)

DRAFT

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

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## INDEPENDENT AUDITORS' REPORT

**P** 716.634.0700  
**TF** 800.546.7556  
**F** 716.634.0764  
**W** EFPRgroup.com

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, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 audits.
- 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 audits 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 audits.

Williamsville, New York  
, 2025

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Statements of Financial Position  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,673,186	2,682,950
Accounts receivable	743,413	-
Due from Monroe County and other governments	2,947,573	3,229,254
Due from City of Rochester	689,444	489,527
Due from City of Rochester - capital project	2,632,818	3,053,623
Due from Monroe County Library System and other grants receivable	631,222	681,461
Due from Friends and Foundation of the Rochester Public Library	-	100,000
Total current assets	<u>10,317,656</u>	<u>10,236,815</u>
Other assets:		
Right of use assets, net of amortization	56,822	74,957
Investments	3,166,096	2,966,739
Total other assets	<u>3,222,918</u>	<u>3,041,696</u>
Total assets	<u>\$ 13,540,574</u>	<u>13,278,511</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	788,792	1,035,280
Due to City of Rochester	6,403,232	6,589,290
Current portion of finance lease liability	17,982	17,588
Total current liabilities	<u>7,210,006</u>	<u>7,642,158</u>
Non-current liabilities - finance lease liability, less current portion	39,702	57,679
Total liabilities	<u>7,249,708</u>	<u>7,699,837</u>
Net assets:		
Without donor restrictions	2,690,518	2,228,078
With donor restrictions	3,600,348	3,350,596
Total net assets	<u>6,290,866</u>	<u>5,578,674</u>
Total liabilities and net assets	<u>\$ 13,540,574</u>	<u>13,278,511</u>

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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>						
Contributions	\$ -	366,083	366,083	-	350,684	350,684
Contributed nonfinancial assets	4,264,270	-	4,264,270	4,264,270	-	4,264,270
Monroe County	7,571,067	-	7,571,067	7,158,349	-	7,158,349
City of Rochester	7,246,075	-	7,246,075	6,768,439	-	6,768,439
Monroe County Library System, state aid and other grants	3,306,789	-	3,306,789	4,620,768	-	4,620,768
Fines, fees and other miscellaneous revenue	310,351	-	310,351	326,815	-	326,815
Net assets released from restrictions	361,629	(361,629)	-	348,473	(348,473)	-
Total support and revenue	<u>23,060,181</u>	<u>4,454</u>	<u>23,064,635</u>	<u>23,487,114</u>	<u>2,211</u>	<u>23,489,325</u>
<b>Expenses:</b>						
Program services	19,622,078	-	19,622,078	19,696,273	-	19,696,273
General and administrative	3,186,362	-	3,186,362	3,254,480	-	3,254,480
Total operating expenses before transfer	<u>22,808,440</u>	<u>-</u>	<u>22,808,440</u>	<u>22,950,753</u>	<u>-</u>	<u>22,950,753</u>
Transfer to City of Rochester	(187,000)	-	(187,000)	(878,000)	-	(878,000)
Total expenses and transfer	<u>22,621,440</u>	<u>-</u>	<u>22,621,440</u>	<u>22,072,753</u>	<u>-</u>	<u>22,072,753</u>
<b>Other income (expense):</b>						
Investment income (expense), net	2,628	245,298	247,926	10,358	134,872	145,230
Refund of prior year expense	21,071	-	21,071	4,955	-	4,955
Total other income (expense)	<u>23,699</u>	<u>245,298</u>	<u>268,997</u>	<u>15,313</u>	<u>134,872</u>	<u>150,185</u>
Change in net assets	462,440	249,752	712,192	1,429,674	137,083	1,566,757
Net assets at beginning of year	<u>2,228,078</u>	<u>3,350,596</u>	<u>5,578,674</u>	<u>798,404</u>	<u>3,213,513</u>	<u>4,011,917</u>
Net assets at end of year	<u>\$ 2,690,518</u>	<u>3,600,348</u>	<u>6,290,866</u>	<u>2,228,078</u>	<u>3,350,596</u>	<u>5,578,674</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, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Amortization	\$ 16,322	1,813	18,135
Books and materials	1,188,985	-	1,188,985
Building and equipment	497,716	55,302	553,018
Communications	33,480	3,721	37,201
Equipment fees	17,416	1,935	19,351
Interest	-	1,568	1,568
Other	656,964	72,997	729,961
Printing	1,775	197	1,972
Professional fees	633,950	70,439	704,389
Purchased services - salaries and benefits	11,616,347	2,379,252	13,995,599
Rent	3,837,843	426,427	4,264,270
Service charges	-	47,568	47,568
Supplies	515,428	57,270	572,698
Training and travel	22,076	3,011	25,087
Utilities	583,776	64,862	648,638
Total expenses	<u>\$ 19,622,078</u>	<u>3,186,362</u>	<u>22,808,440</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)  
Statements of Cash Flows  
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized/unrealized gain on investments	\$ 712,192	1,566,757
Amortization expense - leases	(234,431)	(76,282)
Changes in:		
Accounts receivable	18,135	17,382
Due from Monroe County and other governments	(743,413)	-
Due from City of Rochester	281,681	17,926
Due from Monroe County Library System and other grants receivable	220,888	2,073,494
Due from Friends and Foundation of the Rochester Public Library	50,239	490
Accounts payable	100,000	(2,176)
Due to City of Rochester	(246,488)	468,560
Net cash provided by (used in) operating activities	<u>(186,058)</u>	<u>(2,511,330)</u>
Net cash provided by (used in) operating activities	<u>(27,255)</u>	<u>1,554,821</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	423,582	354,934
Purchases of investments	(369,959)	(421,446)
Net cash provided by (used in) investing activities	<u>53,623</u>	<u>(66,512)</u>
Cash flows from financing activities - reduction of finance lease liability	<u>(17,583)</u>	<u>(16,648)</u>
Change in cash and equivalents	8,785	1,471,661
Cash and equivalents at beginning of year	<u>2,694,829</u>	<u>1,223,168</u>
Cash and equivalents at end of year	<u>\$ 2,703,614</u>	<u>2,694,829</u>
The following table provides a reconciliation of cash to amounts reported within the statements of financial position.		
Cash and equivalents	\$ 2,673,186	2,682,950
Cash included in investments	<u>30,428</u>	<u>11,879</u>
	<u>\$ 2,703,614</u>	<u>2,694,829</u>

See accompanying notes to financial statements.

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements  
June 30, 2024 and 2023

(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 reporting 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  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Receivables and Credit Losses

The Library's accounts receivable are derived from contributions. At each statement of financial position date, the Library recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of Library's historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management's assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors, such as local and national economic indicators. As a result, management has determined that the allowance for credit losses is adequate.

The Library writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in revenue. There were no write-offs for the years ended June 30, 2024 and 2023.

(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.

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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 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.

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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.

(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.

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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.

(p) New Accounting Policies

At the beginning of fiscal 2024, the Library adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments, as amended which modifies the measurement of expected credit losses on certain financial instruments, including rent receivables, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportable forecasts for collectability. The Library adopted this new standard utilizing the modified retrospective transition method.

(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, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and equivalents	\$ 2,673,186	2,682,950
Accounts receivable	743,413	-
Due from Monroe County and other governments	2,947,573	3,229,254
Due from City of Rochester	689,444	489,527
Due from City of Rochester - capital project	2,632,818	3,053,623
Due from Monroe County Library System and other grants receivable	631,222	681,461
Investments	<u>3,166,096</u>	<u>2,966,739</u>
Total financial assets	<u>13,483,752</u>	<u>13,103,554</u>
Less amounts not available to be used within one year:		
Due from City of Rochester	477,905	415,429
Investments	<u>3,122,443</u>	<u>2,935,166</u>
	<u>3,600,348</u>	<u>3,350,595</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,883,404</u>	<u>9,752,959</u>

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

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(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, 2024 and 2023, the Library recognized \$7,571,067 and \$7,158,349 or 33% and 30%, respectively, of total support and revenue from Monroe County. At June 30, 2024 and 2023, the Library had amounts receivable from Monroe County of \$2,947,573 and \$3,229,254, respectively.

During the years ended June 30, 2024 and 2023, the Library recognized \$7,246,075 and \$6,768,439 or 31% and 29%, respectively, of total support and revenue from the City of Rochester. At June 30, 2024 and 2023, the Library had amounts receivable from the City of Rochester of \$689,444 and \$489,527, respectively.

(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.

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(4) Investments, Continued

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.

The Library's investments consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and equivalents	\$ 30,428	30,428	11,879	11,879
Mutual funds	708,221	647,453	709,044	637,584
Exchange traded products	1,868,907	2,480,851	1,854,194	2,307,917
Government bonds	<u>31,967</u>	<u>7,364</u>	<u>32,373</u>	<u>9,359</u>
Total investments	\$ <u>2,639,523</u>	<u>3,166,096</u>	<u>2,607,490</u>	<u>2,966,739</u>

The following schedule summarizes the investment income (expense) for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 74,217	80,162
Realized gain on sale of investments	18,430	49,335
Unrealized gain on investments	167,324	26,947
Fees	<u>(12,045)</u>	<u>(11,214)</u>
Investment income (expense), net	\$ <u>247,926</u>	<u>145,230</u>



ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(5) Contributions

Contribution revenue consists of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Reynolds Library	\$ 193,734	196,256
Friends and Foundation of the Rochester Public Library	171,824	142,992
Other	<u>525</u>	<u>11,436</u>
	<u>\$ 366,083</u>	<u>350,684</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Monroe County Library System	\$2,158,397	2,126,228
State Aid	883,860	2,292,262
Federal Aid	<u>264,532</u>	<u>202,278</u>
	<u>\$3,306,789</u>	<u>4,620,768</u>

Due from Monroe County Library System (MCLS) and other grants receivable consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
MCLS grants	\$ -	8,875
Other	<u>631,222</u>	<u>672,586</u>
	<u>\$ 631,222</u>	<u>681,461</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 \$12.9 million and \$13.6 million for the years ended June 30, 2024 and 2023, respectively. The portion allocated to the Library as of June 30, 2024 and 2023, is not reasonably determinable.

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(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.

At June 30, 2024 and 2023, net assets with donor restrictions are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Branch libraries	\$ 1,069,729	1,001,604
Use and maintenance of Rundel Library	623,499	583,792
Purchase of material for specific purposes	658,759	701,935
Development for new enhanced library services	59,837	97,386
Materials for the visually handicapped	682,047	349,879
City of Rochester Historian Office publications	437,244	409,812
Purchase of children's books	33,364	31,271
Other	<u>35,869</u>	<u>174,917</u>
Total net assets with donor restriction	\$ <u>3,600,348</u>	<u>3,350,596</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>2024</u>	<u>2023</u>
Board designated endowment	\$ 67,727	34,035
Undesignated	<u>2,622,791</u>	<u>2,194,043</u>
Total net assets without donor restriction	\$ <u>2,690,518</u>	<u>2,228,078</u>

ROCHESTER PUBLIC LIBRARY  
(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(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

(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.

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

Notes to Financial Statements, Continued

(9) Endowments, Continued

(d) Spending Policy, Continued

The following is a summary of the Library's endowment assets as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Board designated endowment	\$ 67,727	34,035
Donor designated endowment	<u>1,596,495</u>	<u>1,291,450</u>
Total endowment assets	\$ <u>1,664,222</u>	<u>1,325,485</u>

Changes in the Library's endowment net assets for the years ended June 30, 2024 and 2023, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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	34,035	1,291,450	1,325,485
Investment return	2,628	94,882	97,510
Contributions	<u>31,064</u>	<u>210,163</u>	<u>241,227</u>
Endowment net assets at June 30, 2024	\$ <u>67,727</u>	<u>1,596,495</u>	<u>1,664,222</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 years ended June 30, 2024 and 2023 was \$22,382 and \$42,770, respectively.

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.

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

Notes to Financial Statements, Continued

(10) Leases, Continued

	<u>2024</u>	<u>2023</u>
Finance lease cost - amortization of right to use assets	\$ 18,135	17,382
Finance lease cost - interest on lease liabilities	<u>1,568</u>	<u>1,375</u>
Total lease cost	\$ <u>19,703</u>	<u>18,757</u>

Average lease terms and discount rates as of June 30, 2024 and 2023 are as follows:

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

The aggregate future lease payments for finance leases as of June 30, 2024 were as follows:

2025	\$ 17,982
2026	18,208
2027	15,003
2028	<u>7,601</u>
Total lease payments	\$ 58,794
Less imputed interest	<u>(1,110)</u>
Present value of lease liabilities	\$ <u>57,684</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, 2024 and 2023, 842 and 599 active volunteers provided approximately 3,442 and 3,900 hours of service, respectively.

(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, 2024 and 2023, was \$13,995,599 and \$14,342,939, respectively.

ROCHESTER PUBLIC LIBRARY

(A Component Unit of the City of Rochester, New York)  
Notes to Financial Statements, Continued

(12) Transactions With the City of Rochester, Continued

(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, 2024 and 2023:

	<u>2024</u>		<u>2023</u>	
	<u>Due from City</u>	<u>Due to City</u>	<u>Due from City</u>	<u>Due to City</u>
Trust funds	\$ 477,905	40,000	370,809	245,000
Amounts owed for benefits	211,539	279,305	118,718	245,507
Accrued vacation and salaries	-	396,927	-	412,783
Due from City of Rochester - capital project	2,632,818	-	3,053,623	-
Bond anticipation note	-	1,063,000	-	1,561,000
Bond	-	<u>4,624,000</u>	-	<u>4,125,000</u>
Total	\$ <u>3,322,262</u>	<u>6,403,232</u>	<u>3,543,150</u>	<u>6,589,290</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, 2024 and 2023, the Library incurred \$754,000 and \$589,000, respectively, of such capital costs related to the building improvements. In the years ended June 30, 2024 and 2023, the Library also made transfers of \$941,000 and \$1,467,000, respectively, 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, 2024 and 2023.

(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, the Library has recorded receivables from the Foundation in the amount of \$100,000 for funds raised on its behalf by the Foundation. As of June 30, 2024, the Library was not owed any money from the Foundation.

## REPORT TO THE BOARD

, 2025

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, 2024, and have issued our report thereon dated , 2025. 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. For the year ended June 30, 2024, the Library adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments, as amended which modifies the measurement of expected credit losses on certain financial instruments, including accounts receivable, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportable forecasts for collectability. The Library adopted this new standard utilizing the modified retrospective transition method.

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, 2024, 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 each year prior to our retention 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 retention.

\* \* \* \* \*

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