

EISNERAMPER

BROOKLYN PUBLIC LIBRARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021



BROOKLYN PUBLIC LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Brooklyn Public Library

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Brooklyn Public Library, a component unit of the City of New York, (the "Library"), and its wholly-controlled entity (together, the "Organization") which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brooklyn Public Library and its wholly-controlled entity as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for each of 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 ("GAAS"). 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 Organization 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 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.

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



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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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
September 14, 2022



BROOKLYN PUBLIC LIBRARY

Consolidated Statements of Financial Position (in thousands)

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (including restricted cash of \$107 at each year end)	\$ 39,814	\$ 43,605
Restricted cash segregated account	10,165	2,836
Contributions, grants and other receivables, net	35,433	16,389
Investments	43,792	53,175
Prepaid expenses and other assets	468	560
Property and equipment, net	<u>78,286</u>	<u>91,808</u>
	<u>\$ 207,958</u>	<u>\$ 208,373</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 14,044	\$ 19,084
Deferred revenue	216	149
Funds received in advance	5,273	6,940
Loan payable, net	-	1,425
Line of credit payable	13,998	3,445
Accrued wages and related liabilities	<u>17,476</u>	<u>19,355</u>
Total liabilities	<u>51,007</u>	<u>50,398</u>
Commitments, contingencies and uncertainty (Note L)		
Net Assets:		
Without donor restrictions:		
Undesignated, available for operations	96,295	95,777
Board-designated for building renovation	6,130	4,430
Board-designated for use in future fiscal years	<u>11,408</u>	<u>10,708</u>
Total net assets without donor restrictions	<u>113,833</u>	<u>110,915</u>
With donor restrictions:		
Restricted for time and purpose	40,206	44,201
Perpetual in nature	<u>2,912</u>	<u>2,859</u>
Total net assets with donor restrictions	<u>43,118</u>	<u>47,060</u>
Total net assets	<u>156,951</u>	<u>157,975</u>
	<u>\$ 207,958</u>	<u>\$ 208,373</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statements of Activities (in thousands)

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues:						
City of New York appropriations	\$ 126,936	\$ -	\$ 126,936	\$ 126,438	\$ -	\$ 126,438
State of New York appropriations	8,333	-	8,333	7,896	-	7,896
Federal government grants	1,342	-	1,342	1,517	-	1,517
Contribution income	3,349	4,881	8,230	3,244	4,353	7,597
Purchase discount reimbursement contribution	633	-	633	496	-	496
Contributed facilities and utilities	32,329	-	32,329	30,093	-	30,093
Contributed goods and services	430	-	430	491	-	491
Net investment income designated for current operations	1,961	206	2,167	1,932	206	2,138
Special events (net of direct benefits to donors of \$98, and \$18 in 2022 and 2021, respectively)	1,241	-	1,241	640	-	640
Fines, royalties and other revenue	2,228	-	2,228	1,542	-	1,542
	<u>178,782</u>	<u>5,087</u>	<u>183,869</u>	<u>174,289</u>	<u>4,559</u>	<u>178,848</u>
Net assets released from restrictions for operations	<u>3,208</u>	<u>(3,208)</u>	<u>-</u>	<u>3,522</u>	<u>(3,522)</u>	<u>-</u>
Total operating support and revenues	<u>181,990</u>	<u>1,879</u>	<u>183,869</u>	<u>177,811</u>	<u>1,037</u>	<u>178,848</u>
Operating expenses:						
Program services:						
Central library	29,333	-	29,333	28,341	-	28,341
Neighborhood libraries	110,940	-	110,940	105,556	-	105,556
Special programs	15,439	-	15,439	14,745	-	14,745
Total program services	<u>155,712</u>	<u>-</u>	<u>155,712</u>	<u>148,642</u>	<u>-</u>	<u>148,642</u>
Supporting services:						
Management and general	12,711	-	12,711	12,808	-	12,808
Fundraising	5,425	-	5,425	4,739	-	4,739
Total supporting services	<u>18,136</u>	<u>-</u>	<u>18,136</u>	<u>17,547</u>	<u>-</u>	<u>17,547</u>
Total operating expenses	<u>173,848</u>	<u>-</u>	<u>173,848</u>	<u>166,189</u>	<u>-</u>	<u>166,189</u>
Change in net assets from operating activities	<u>8,142</u>	<u>1,879</u>	<u>10,021</u>	<u>11,622</u>	<u>1,037</u>	<u>12,659</u>
Non-operating activities:						
Grants	4,069	-	4,069	3,126	-	3,126
Grants and capital contributions for improvements	-	25,120	25,120	-	10,913	10,913
With donor restrictions contributions – perpetual in nature	-	53	53	-	4	4
Capital grants expenditures	-	(25,120)	(25,120)	-	(10,265)	(10,265)
Release from restrictions for capital expenditures	4,700	(4,700)	-	4,800	(4,800)	-
Release from restrictions for Brooklyn Historical Society	190	(190)	-	245	(245)	-
Losses on disposal of property and equipment	(95)	-	(95)	(477)	-	(477)
Net assets acquired in-kind from Brooklyn Historical Society	-	-	-	-	15,820	15,820
Depreciation and amortization	(3,593)	-	(3,593)	(4,170)	-	(4,170)
Investment (losses) gains in excess (deficiency) of amounts designated for current operations	(10,495)	(984)	(11,479)	8,884	866	9,750
Change in net assets from non-operating activities	<u>(5,224)</u>	<u>(5,821)</u>	<u>(11,045)</u>	<u>12,408</u>	<u>12,293</u>	<u>24,701</u>
Change in net assets	<u>2,918</u>	<u>(3,942)</u>	<u>(1,024)</u>	<u>24,030</u>	<u>13,330</u>	<u>37,360</u>
Net assets – beginning of year	<u>110,915</u>	<u>47,060</u>	<u>157,975</u>	<u>86,885</u>	<u>33,730</u>	<u>120,615</u>
Net assets – end of year	<u>\$ 113,833</u>	<u>\$ 43,118</u>	<u>\$ 156,951</u>	<u>\$ 110,915</u>	<u>\$ 47,060</u>	<u>\$ 157,975</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2022**

(with comparative totals for June 30, 2021)
(in thousands)

	Program Services				Supporting Services			Total Expenses	
	Central Library	Neighborhood Libraries	Special Programs	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2022	2021
	Operating expenses:								
Salaries and related expenses:									
Salaries	\$ 8,873	\$ 41,040	\$ 5,546	\$ 55,459	\$ 5,490	\$ 2,499	\$ 7,989	\$ 63,448	\$ 64,802
Fringe benefits	<u>5,544</u>	<u>25,639</u>	<u>3,465</u>	<u>34,648</u>	<u>3,430</u>	<u>1,561</u>	<u>4,991</u>	<u>39,639</u>	<u>35,893</u>
Total salaries and related expenses	14,417	66,679	9,011	90,107	8,920	4,060	12,980	103,087	100,695
Other operating expenses:									
Professional fees and contract service payments	1,121	5,185	701	7,007	2,058	455	2,513	9,520	7,936
Office expenses and related supplies	436	2,016	272	2,724	278	176	454	3,178	2,546
Telephone and telecommunications	482	2,231	302	3,015	92	87	179	3,194	3,307
Occupancy	696	2,419	199	3,314	396	20	416	3,730	3,620
Donated rent and utilities	9,337	19,255	3,176	31,768	522	39	561	32,329	30,093
Advertising and public service messages	86	397	54	537	9	30	39	576	792
Staff development and training	62	286	38	386	117	18	135	521	450
Books and public library materials for circulation	1,801	8,332	1,126	11,259	-	-	-	11,259	10,987
Insurance	170	787	107	1,064	89	-	89	1,153	1,100
Repairs and maintenance	580	2,682	363	3,625	106	88	194	3,819	3,642
Catering and decorations	14	63	8	85	-	377	377	462	119
Other expenses	<u>131</u>	<u>608</u>	<u>82</u>	<u>821</u>	<u>124</u>	<u>173</u>	<u>297</u>	<u>1,118</u>	<u>920</u>
Total expenses	<u>29,333</u>	<u>110,940</u>	<u>15,439</u>	<u>155,712</u>	<u>12,711</u>	<u>5,523</u>	<u>18,234</u>	<u>173,946</u>	<u>166,207</u>
Less: direct benefits to donors	-	-	-	-	-	(98)	(98)	(98)	(18)
Total operating expenses per consolidated statements of activities	<u>29,333</u>	<u>110,940</u>	<u>15,439</u>	<u>155,712</u>	<u>12,711</u>	<u>5,425</u>	<u>18,136</u>	<u>173,848</u>	<u>166,189</u>
Non-operating expenses:									
Depreciation and amortization	<u>536</u>	<u>2,482</u>	<u>335</u>	<u>3,353</u>	<u>240</u>	-	<u>240</u>	<u>3,593</u>	<u>4,170</u>
	<u>\$ 29,869</u>	<u>\$ 113,422</u>	<u>\$ 15,774</u>	<u>\$ 159,065</u>	<u>\$ 12,951</u>	<u>\$ 5,425</u>	<u>\$ 18,376</u>	<u>\$ 177,441</u>	<u>\$ 170,359</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(in thousands)

	Program Services			Supporting Services			Total Expenses	
	Central Library	Neighborhood Libraries	Special Programs	Total Program Services	Management and General	Fund-Raising		Total Supporting Services
Operating expenses:								
Salaries and related expenses:								
Salaries	\$ 9,094	\$ 42,058	\$ 5,683	\$ 56,835	\$ 5,536	\$ 2,431	\$ 7,967	\$ 64,802
Fringe benefits	5,037	23,296	3,148	31,481	3,066	1,346	4,412	35,893
Total salaries and related expenses	14,131	65,354	8,831	88,316	8,602	3,777	12,379	100,695
Other operating expenses:								
Professional fees and contract service payments	901	4,168	563	5,632	1,936	368	2,304	7,936
Office expenses and related supplies	347	1,607	217	2,171	283	92	375	2,546
Telephone and telecommunications	495	2,288	309	3,092	121	94	215	3,307
Occupancy	626	2,174	179	2,979	627	14	641	3,620
Donated rent and utilities	9,134	17,446	2,955	29,535	519	39	558	30,093
Advertising and public service messages	117	542	73	732	28	32	60	792
Staff development and training	50	231	31	312	126	12	138	450
Books and public library materials for circulation	1,758	8,130	1,099	10,987	-	-	-	10,987
Insurance	163	754	102	1,019	81	-	81	1,100
Repairs and maintenance	514	2,378	321	3,213	375	54	429	3,642
Catering and decorations	-	-	-	-	-	119	119	119
Other expense	105	484	65	654	110	156	266	920
Total expenses	28,341	105,556	14,745	148,642	12,808	4,757	17,565	166,207
Less: direct benefits to donors	-	-	-	-	-	(18)	(18)	(18)
Total operating expenses per consolidated statements of activities	28,341	105,556	14,745	148,642	12,808	4,739	17,547	166,189
Non-operating expenses:								
Depreciation and amortization	662	3,061	414	4,137	33	-	33	4,170
	<u>\$ 29,003</u>	<u>\$ 108,617</u>	<u>\$ 15,159</u>	<u>\$ 152,779</u>	<u>\$ 12,841</u>	<u>\$ 4,739</u>	<u>\$ 17,580</u>	<u>\$ 170,359</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,024)	\$ 37,360
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,593	4,170
Amortization of debt-issuance cost	31	4
Bad debts expense	53	48
Losses on disposal of property and equipment	95	477
In-kind contribution - Brooklyn Historical Society	-	(15,820)
Unrealized losses (gains) on investments	10,977	(4,068)
Net realized gains on sales of investments	(203)	(6,575)
Proceeds from the sale of donated securities	295	112
Donated securities	(294)	(112)
Contributions from donors with restrictions to be held in perpetuity	(53)	(4)
Capital grant expenditures	15,846	-
Changes in:		
Contributions, grants and other receivables, net	(19,097)	9,805
Prepaid expenses and other assets	92	91
Accounts payable, accrued expenses	(5,040)	(591)
Deferred revenue	67	17
Funds received in advance	(1,667)	684
Accrued wages and related liabilities	(1,879)	(4,456)
Net cash provided by operating activities	<u>1,792</u>	<u>21,142</u>
Cash flows from investing activities:		
Proceeds from sales of investments	60,235	28,138
Purchases of investments	(61,627)	(28,259)
Cash acquired from Brooklyn Historical Society	-	911
Purchases of property and equipment	(6,012)	(20,754)
Net cash used in investing activities	<u>(7,404)</u>	<u>(19,964)</u>
Cash flows from financing activities:		
Proceeds from line of credit payable	19,225	14,890
Repayment on line of credit payable	(8,672)	(16,034)
Repayment of loan payable	(1,456)	(538)
Contributions from donors with restrictions to be held in perpetuity	53	4
Net cash provided by (used in) financing activities	<u>9,150</u>	<u>(1,678)</u>
Net change in cash, cash equivalents and restricted cash	3,538	(500)
Cash, cash equivalents and restricted cash, beginning of year	<u>46,441</u>	<u>46,941</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>49,979</u>	\$ <u>46,441</u>
Supplemental disclosures of cash flow of information:		
Contributed goods and services	\$ <u>430</u>	\$ <u>491</u>
Contributed facilities and utilities	\$ <u>32,329</u>	\$ <u>30,093</u>
Interest paid	\$ <u>183</u>	\$ <u>164</u>
In-kind contribution from the Society	\$ <u>-</u>	\$ <u>15,820</u>
Non-cash assets acquired from the Society	\$ <u>-</u>	\$ <u>15,835</u>
Non-cash liabilities acquired from the Society	\$ <u>-</u>	\$ <u>2,563</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Brooklyn Public Library (the "Library") was incorporated in the State of New York in 1902, and serves more than 2.5 million Brooklynites with a Central Library, a Business Library, and 59 branch locations. The Organization receives significant support through governmental appropriations, primarily from the State of New York and The City of New York, and its continuing operations are dependent upon such government support.

On October 1, 2020, the Library entered into an affiliation agreement with The Brooklyn Historical Society (the "Society") whereby the Society re-organized its corporate structure as a membership organization and whereby the Library became the sole corporate member of the Society on the date of the affiliation agreement. In addition, the Library has the right to elect all the members of the Board of Trustees of the Society. The two organizations shall continue to operate as separate and distinct corporations, with separate tax filings, and the Library is not legally responsible for any liability arising from or related to the Society's operations, at any time. In accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") the Library must account for this transaction as though the Library acquired the Society, and in doing so, the Library recognized the following assets and liabilities on the date of the affiliation agreement at fair value.

The following table summarizes the assets and liability accounts of the Society that resulted in an inherent in-kind contribution with donor restrictions as of October 1, 2020:

	<u>Amounts</u>
Cash and cash equivalents	\$ 911
Contributions, grants and other receivable	362
Prepaid and other assets	46
Property and equipment	17,064
Accounts payable and accrued expenses	(370)
Deferred revenue	(9)
Long-term debt payable	(1,959)
Other liabilities	<u>(225)</u>
Net assets acquired in-kind from Brooklyn Historical Society	<u>\$ 15,820</u>

The Society is a museum, library and educational center dedicated to preserving and encouraging the study of Brooklyn's rich 400-year past, while reflecting upon the future of our culturally rich borough. The society houses important documents, art and artifacts from early colonial America, through the 19th and 20th centuries, with a primary emphasis on the history of Brooklyn and its people. The Society hosts scholars, students and teachers, and the general public at exhibitions and engaging programs that take place in its landmarked 19th century site throughout the year. Exhibits at the Society are created as interactive labs for students of all ages.

The accompanying consolidated financial statements include the financial position, results of operations and cash flows of the Library and its wholly-controlled entity, the Society, collectively referred to as the "Organization". All intercompany transactions have been eliminated.

The Organization's consolidated financial statements for each fiscal year are included as a component unit in The City of New York Comprehensive Annual Financial Report.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"), and from state and local taxes under comparable laws.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Basis of accounting:

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting and conform to U.S. GAAP, as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash, cash equivalents and restricted cash:

The Organization considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, except for those highly liquid assets held as a part of the investment portfolio. Cash and cash equivalents at both June 30, 2022 and 2021 included \$107, which is restricted for disbursements to entities involved in the Net-Working, NYC program. Additionally at June 30, 2022 and 2021, the Organization held restricted cash of \$10,165 and \$2,836 respectively, resulting from the proceeds from the disposition of the Brooklyn Heights Branch Library building by The City of New York, for the construction of several new branches of the Organization, which include new Brooklyn Heights and Sunset Park branches (see Note L[8]).

[5] Investments:

Investments are reported at fair value based on quoted market prices. The Organization's investments consist of U.S. equity securities, international equity securities from developed markets, mutual funds trading in fixed income securities, multi-market funds, and alternatives mutual funds.

Investment transactions are recorded on a trade date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the consolidated statements of activities as increases and decreases in net assets without donor restrictions, unless their use is limited through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost at the time of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

The Organization's policy is to sell donated securities immediately, and accordingly, for purposes of the consolidated statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities.

Investment expenses include the services of an investment manager and custodian. The balances of investment management fees disclosed in Note C are those specific fees charged by the Organization's investment manager in each fiscal year, and do not include those fees that are embedded in various other investment accounts and transactions.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Property and equipment:

Property and equipment are reported at their costs on the dates of acquisition, or at their fair values on the dates of donation, net of accumulated depreciation and amortization. Minor costs or repairs and maintenance are expensed as incurred. The Organization capitalizes as assets, those items of property and equipment that have a cost of \$20 or more, and that have a useful life greater than one year. Depreciation is provided using the straight-line method over a period of five years for computer equipment and seven years for furniture. Building and building improvements are depreciated over a period of forty years. Land is not depreciated. Amortization of leasehold improvements is provided using the straight-line method over the estimated useful lives of the improvements or the remaining lives of the leases, whichever is shorter.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. There were no triggering events during fiscal-years 2022 or 2021 requiring management to test for impairment that would require any adjustments to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Website costs:

Website costs related to site configuration and infrastructure and conceptual designed that results in additional functionality are capitalized. Costs relating to operation and content are expenses as incurred. Capitalized costs are amortized over a seven-year expected life using the straight-line method.

[8] Deferred debt-issuance costs:

Costs incurred in connection with loan financing are deferred and amortized over the term of the related debt using the straight-line method, which approximates the effective-interest method of amortization. These costs are reported in the consolidated statement of financial position as a direct reduction of the related debt. The amortization of deferred debt-issuance costs is reported in the consolidating statement of activities as a portion of interest expense.

[9] Collections:

The Organization's collections are not included in the consolidated statements of financial position. Items within the collections are catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The Organization maintains a policy whereby items purchased for the collections are recorded as expenses in the year in which the items are purchased. The Organization reviews its collections on an ongoing basis and may periodically acquire or de-access collection items. Proceeds received from deaccessions are either used to acquire future collection items or held for the direct care, maintenance, or preservation of the collections.

The Library's collections are comprised of non-circulating library materials. These collections are maintained by the Organization under curatorial care and are held for research, education and public exhibition, in furtherance of public service. The Library's non-circulating materials are insured for a total value of \$130,000.

The Society's collection is comprised of artwork, photographs, and other printed materials which are held for public benefit. No collection items were deaccessioned during the fiscal year's ending June 30, 2022 and 2021. The Society's collections are insured for a total value of \$10,000.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Annual and terminal leave policies:

(i) Annual leave:

The Organization's employees accrue vacation each year based on tenure. Union employees accrue vacation at the start of the fiscal year, and non-union employees accrue on hours earned per pay period. Employees are entitled to be paid for unused vacation time in the event the employees leave the Organization, and therefore, the Organization must recognize a liability for the amount that would be incurred if employees with unused vacation time were to leave.

(ii) Terminal leave:

The Organization pays terminal leave benefits to employees who retire from the system with at least ten years of service. The amount paid to each employee is based on the greater of up to one month for each ten years of service, or half of the employees accrued sick leave balance at retirement, not to exceed six months.

[11] Deferred rent obligation:

Rent expense is recognized using the straight-line method over the term of the lease. The difference between rent expense incurred and the rental amounts actually paid, which is attributable to scheduled rent increases and a rent abatement, is reported as a deferred rent obligation in the consolidated statements of financial position. At June 30, 2022 and 2021, the deferred rent obligation was approximately \$301 and \$419, respectively and reported in accounts payable and accrued expenses in the accompanying Statements of Financial Position.

[12] Net assets:

The net assets of the Organization, and the changes therein, are classified as follows:

(i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources that are not subject to donor-imposed restrictions and are available for current operations. The Organization's Board-designated funds represent the portion of expendable funds that are available for support of the Organization's operations, at the discretion of the Organization's Board of Trustees (the "Board"). At June 30, 2022 and 2021, the Board has designated amounts for the subsequent fiscal-year's operations and building renovation and improvements.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Net assets: (continued)

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or a specific period of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity, with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors.

When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Organization's Board of Trustees, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as "net assets released from restrictions." Contributions with donor restrictions, the requirements of which are met in the year of donation, are reported as net assets without donor restrictions.

[13] Revenue recognition:

(i) *Contributions, grants and pledges:*

Contributions and grants to the Organization are recorded as revenue upon the receipt of an unconditional pledge, or the receipt of cash or donated goods. Donated goods are recognized at their fair values at the time of donation. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met and, if received in advance, are recognized in the consolidated statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided, using management's estimate of potential defaults.

(ii) *Fines, royalties, space rental and other revenue:*

Revenue related to fines, royalties, space rental and other revenue are treated as exchange transactions and accordingly, any amounts received before the service is provided are reported as deferred revenue. Revenue is only recognized when the performance obligations for each program are satisfied (see Note E).

(iii) *Bequests:*

The Organization records bequest income at the time it has an established right to a bequest and the proceeds are measurable.

(iv) *Donated services:*

For recognition of donated services in the Organization's consolidated financial statements, such services must: (i) create or enhance non-financial assets; and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must: (i) require a specialized skill; and (ii) be provided by individuals possessing these skills.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Revenue recognition: (continued)

(iv) *Donated services: (continued)*

Contributed legal services have been included in the consolidated financial statements at their fair market values. However, a number of volunteers, including members of the Board of Trustees, have made significant contributions of time to the Organization's policy-making program and support functions. The value of such contributed time does not meet the criteria for recognition of contributed services under U.S. GAAP and accordingly, is not reported in the consolidated financial statements.

(v) *Contributed facilities:*

The Organization occupies the majority of its branch locations, as well as the Central Library, under rent-free arrangements with The City of New York. The estimated value of the use of those premises (including utility costs, which are paid by the City) is reported as contributed facilities support, and an equal amount of rental expense, in the accompanying consolidated financial statements. The Organization estimates the value of those contributed facilities based upon market rental rates for properties in the same locations as branch libraries and discounts such rates for the limited-use nature of the branch library facilities.

[14] Functional allocation of expenses:

The costs of providing various programs and supporting services have been reported on a functional basis in the consolidated statements of functional expenses, except for direct investment fees that have been offset against revenue in the consolidated statements of activities. The consolidated statements of functional expenses present the Organization's expenses by natural classification and function. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas, and expenses benefiting multiple areas have been allocated amongst those areas using the full-time equivalent employee ("FTE") method and square footage. The expenses allocated using the FTE method include the following: salaries and benefits, professional fees, books, public library materials, telephone and other office related expenses, whereas occupancy and donated rent utilities have been allocated over square footage.

[15] Measure of operations:

The Organization includes, in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income allocation and all contributions except for those contributions that are for capital expenditures. Investment income, including net realized and unrealized gains and losses, that is earned in an amount in excess of (or less than) the Organization's aggregate authorized spending amount, is reported as part of non-operating activities, as are: (i) contributions for capital expenditures; (ii) depreciation and amortization expenses; (iii) losses on the disposal of property and equipment; (iv) contribution of the Society net assets, (v) contributions perpetual in nature; and (vi) all other nonrecurring items of revenue and expenses.

[16] Income taxes:

The Organization is subject to the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. ASC Topic 740 is potentially applicable to the incurrence of unrelated business income tax, attributable to passport services provided to the public. Because the Organization has always accrued the tax liability for this service and, because of the Organization's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[17] Adoption of accounting pronouncement:

In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, if utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU is applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, accordingly, the Organization adopted the standard for fiscal year ending June 30, 2022, and this accounting guidance did not have a material effect on the Organization’s consolidated financial statements.

[18] Upcoming accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, as amended, which supersedes the current leasing guidance and upon adoption, will require lessees to recognize right-of-use assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard is effective for the Organization for the annual period beginning after December 15, 2021 and can be early adopted. Upon the adoption of the guidance, operating leases are capitalized on the balance sheet at the present value of lease payments. The balance sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 will be calculated using the applicable incremental borrowing rate, or risk free rate, at the date of adoption. The impact on the Organization’s financial statements is currently being evaluated. Information about the Organization’s undiscounted future lease payments and the timing of those payments is provided in Note L[3].

[19] Subsequent events:

The Organization evaluated subsequent events through September 14, 2022, the date on which the consolidated financial statements were available to be issued.

[20] Reclassifications:

Certain prior-year financial statement items have been reclassified to conform to the current period financial statement presentation.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE B - RECEIVABLES

At each fiscal year-end, contribution, grants and other receivables consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Appropriations and grants – State of New York	\$ 5,006	\$ 4,483
Appropriations and grants – The City of New York	<u>26,051</u>	<u>8,283</u>
Total appropriations and grants	31,057	12,766
Contributions receivables: less than one year	3,535	2,569
Contributions receivables: one to five years	<u>333</u>	<u>467</u>
	3,868	3,036
Less: discount to present value (at a discount rate ranging from 1.45% - 2.98%)	(7)	(8)
Less: allowance for doubtful accounts	<u>(68)</u>	<u>(47)</u>
Total net contribution receivables	3,793	2,981
Purchase discount reimbursement contributions receivable	401	260
Other receivables, net of allowance for doubtful accounts of \$3 and \$4 in 2022 and 2021, respectively	<u>182</u>	<u>382</u>
	<u>\$ 35,433</u>	<u>\$ 16,389</u>

Subsequent to each fiscal year-end, substantially all of the State of New York and The City of New York appropriations and grants receivable were collected. Based on prior experience, management expects to collect the government receivables in full and, accordingly, has not established an allowance for uncollectible amounts. Most other receivables are expected to be collected within one year, although certain contributions receivable are expected to be collected in periods of up to five years.

Purchase discount reimbursement contributions receivable arose from an agreement between the Organization and the Universal Service Fund (“USF”), a not-for-profit organization, whereby USF grants to the Organization an amount equal to an agreed-upon percentage of expenditures made by the Organization in connection with certain public access/information technology initiatives (90% for internal connections and Internet access in fiscal-year 2022 and fiscal-year 2021). Items and services are purchased by the Organization from vendors specified in the agreement, and consequently, a contribution at the specified level is made by USF to the Organization. Total expenditures related to the agreement were approximately \$710 and \$521 for fiscal-years 2022 and 2021, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following, at fair value:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Stocks/mutual funds:		
U.S. equity securities/funds	\$ 14,988	\$ 18,672
International equity securities from developed markets	9,504	7,017
Multi market funds	-	12,652
Fixed income funds	13,949	14,834
Alternatives funds	<u>5,351</u>	<u>-</u>
	<u>\$ 43,792</u>	<u>\$ 53,175</u>

Investment income for each fiscal year consisted of the following:

	<u>Year Ended</u> <u>June 30, 2022</u>		
	<u>Without</u> <u>Donor</u> <u>Restrictions</u>	<u>With</u> <u>Donor</u> <u>Restrictions</u>	<u>Total</u>
Dividends and interest (net of investment expenses of \$184)	\$ 1,330	\$ 132	\$ 1,462
Net realized gains on sale of investments	185	18	203
Net unrealized losses on investments	<u>(10,049)</u>	<u>(928)</u>	<u>(10,977)</u>
Investment loss, net	(8,534)	(778)	(9,312)
Less: Investment earnings designated for current operations	<u>(1,961)</u>	<u>(206)</u>	<u>(2,167)</u>
Investment gains not designated for current operations, net	<u>\$ (10,495)</u>	<u>\$ (984)</u>	<u>\$ (11,479)</u>

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE C - INVESTMENTS (CONTINUED)

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest (net of investment expenses of \$176)	\$ 1,130	\$ 115	\$ 1,245
Net realized gains on sale of investments	5,968	607	6,575
Net unrealized gains on investments	<u>3,718</u>	<u>350</u>	<u>4,068</u>
Investment earnings, net	10,816	1,072	11,888
Less: Investment earnings designated for current operations	<u>(1,932)</u>	<u>(206)</u>	<u>(2,138)</u>
Investment gains not designated for current operations, net	<u>\$ 8,884</u>	<u>\$ 866</u>	<u>\$ 9,750</u>

ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting dates.
- Level 2: Valuations are based on: (i) quoted prices for similar investments in active markets; or (ii) quoted prices for those investments, or similar investments, in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

The Organization's investments are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following tables summarize the fair values of the Organization's investments at each fiscal year-end, in accordance with the ASC Topic 820 valuation levels:

	<u>June 30, 2022</u>	
	<u>Level 1</u>	<u>Total</u>
Stocks/mutual funds:		
U.S. equity securities/funds	\$ 14,988	\$ 14,988
International equity securities from developed markets	9,504	9,504
Fixed income funds	13,949	13,949
Alternatives fund	<u>5,351</u>	<u>5,351</u>
Total	<u>\$ 43,792</u>	<u>\$ 43,792</u>

	<u>June 30, 2021</u>	
	<u>Level 1</u>	<u>Total</u>
Stocks/mutual funds:		
U.S. equity securities	\$ 18,672	\$ 18,672
International equity securities from developed markets	7,017	7,017
Emerging markets equity securities	12,652	12,652
Fixed income funds	<u>14,834</u>	<u>14,834</u>
Total	<u>\$ 53,175</u>	<u>\$ 53,175</u>

NOTE D - PROPERTY AND EQUIPMENT

The Organization's branch properties are owned by The City of New York and are occupied by the Organization under its 1903 agreement with The City of New York, to provide library services to the people of Brooklyn. Apart from repairs and improvements borne by the Organization from its operating budget, capital improvements to the Organization's buildings are typically funded from The City of New York's capital budget. According to The City of New York guidelines, all City-funded capital improvements or renovations are treated as property and equipment in The City of New York's financial records. In order to represent The City of New York's ownership of these assets, and to avoid duplicative accounting, City-funded capital improvements and renovations are not recorded in the Organization's financial records. In fiscal years 2022 and 2021, The City of New York reimbursed the Organization approximately \$25,177 and \$10,265 for capital grant expenditures, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE D - PROPERTY AND EQUIPMENT (CONTINUED)

In fiscal years 2022 and 2021, The City of New York appropriated approximately \$31,818 and \$10,956, respectively, for capital expenditures relating to renovations of City-owned branches. During the previous ten fiscal years, 2012 to 2021, The City of New York contributed approximately \$211,970 for branch capital-improvement expenses. The City of New York's total commitment as of June 30, 2022, to branch capital improvement, is approximately \$308,631 over the next five fiscal years.

At each fiscal year-end, property and equipment consisted of the following:

	June 30,	
	2022	2021
Land	\$ 11,600	\$ 11,600
Furniture and fixtures, and others	15,348	15,677
Building	5,312	5,312
Leasehold improvements	57,024	40,343
Computer equipment	<u>2,647</u>	<u>4,795</u>
	91,931	77,727
Less: accumulated depreciation and amortization	<u>(21,903)</u>	<u>(22,729)</u>
	70,028	54,998
Construction-in-progress	<u>8,258</u>	<u>36,810</u>
	<u>\$ 78,286</u>	<u>\$ 91,808</u>

During fiscal-years 2022 and 2021, the Organization wrote off approximately \$4,380 and \$2,240, respectively, of fully-depreciated computer equipment and furniture and fixtures that were no longer in use. In addition, the Organization disposed of leasehold improvements and website expenses in the amounts of approximately \$135 and \$730, respectively, which resulted in a loss on disposal of approximately \$95 and \$477.

NOTE E - DEFERRED REVENUE

The following table provides information about significant changes in the contract liabilities during each fiscal year:

	June 30,	
	2022	2021
Deferred revenue, beginning year	\$ 149	\$ 123
Revenue recognized that was included in the deferred at the beginning of the year	(25)	-
Increase in deferred revenue due to cash received during the period	<u>92</u>	<u>26</u>
Deferred revenue, end of year	<u>\$ 216</u>	<u>\$ 149</u>

There were no other significant contract liabilities or assets at June 30, 2022 or 2021.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE F - FUNDS RECEIVED IN ADVANCE

The Organization has received funding related to certain contracts and grants from the State of New York and The City of New York prior to the Organization satisfying the conditions stipulated in the agreements, which include providing the related services as required by the contracts. Revenue for these agreements is recognized as the related conditions are satisfied. At June 30, 2022 and 2021, funds received in advance were approximately \$5,273 and \$6,940, respectively.

NOTE G - ACCRUED VACATION BENEFITS

The consolidated financial statements include a liability for unused vacation benefits earned by employees and carried forward at each fiscal year-end, which amounted to approximately \$5,159 and \$5,668 for fiscal years 2022 and 2021, respectively. Management believes that through future appropriations, The City of New York will fund such vacation benefits as they are paid to the employees. Such amounts have been reported in the consolidated statements of financial position as part of accrued wages and related liabilities.

NOTE H - ACCRUED TERMINAL LEAVE OBLIGATION

The Organization provides terminal leave with pay upon retirement, not to exceed one month for every ten years of service, prorated for fractional parts thereof. The Organization has estimated the actuarial present value of the accumulated terminal leave benefit to be \$9,291 and \$11,291 as of June 30, 2022 and 2021, respectively. Such amounts have been reported in the consolidated statements of financial position as part of accrued wages and related liabilities.

The significant assumptions used in calculating the actuarial present value of the terminal leave benefit were: (i) an interest rate of 4.40% per annum (2.65% per annum in fiscal-year 2021); (ii) a salary increase rate of 3.10% per annum for union employees and 3.50% for non-union employees for both fiscal-years 2022 and 2021; and (iii) withdrawal rates ranging from 9.50% at age 20 to 3.70% at age 55 for both fiscal years 2022 and 2021, with a retirement age of 65 in both fiscal years 2022 and 2021. Terminal leave benefits are funded as they are paid to employees. Management believes that through future appropriations, The City of New York will fund such terminal-leave benefits as they are paid to employees.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements June 30, 2022 and 2021 (in thousands)

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

At each fiscal year-end, net asset with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Operating:		
Library materials acquisitions*	\$ 452	\$ 332
Branch library support*	2,007	2,105
Special programs and other:		
Central Library Information Commons*	81	224
Child's Place	42	39
Plaza and auditorium*	212	406
Summer reading	98	84
Center for Brooklyn History	577	55
Summer Camp	413	454
Artist in residence	18	18
Other*	<u>6,124</u>	<u>5,015</u>
	10,024	8,732
Non-operating:		
Brooklyn Historical Society	14,866	15,453
Capital projects (see Note L[8])	<u>15,316</u>	<u>20,016</u>
Restricted for time and purpose	40,206	44,201
Perpetual in nature	<u>2,912</u>	<u>2,859</u>
	<u>\$ 43,118</u>	<u>\$ 47,060</u>

* Collectively, these categories include accumulated endowment income of \$1,127 and \$2,110 as of June 30, 2022 and 2021, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements June 30, 2022 and 2021 (in thousands)

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During each fiscal year, purpose-restricted net assets released from restrictions consisted of the following:

	Year Ended June 30,	
	2022	2021
Operating:		
Library materials acquisitions	\$ 97	\$ 77
Branch library support	395	315
Special programs and other:		
Central Library Information Commons	30	30
Child's Place	24	1
Plaza and auditorium	164	69
Summer reading	61	22
Center for Brooklyn History	74	235
Summer Camp	56	8
Other	<u>2,307</u>	<u>2,765</u>
	3,208	3,522
Non-operating:		
Brooklyn Heights and Adams Street placed in service	4,700	4,800
Brooklyn Historical Society	190	245
Capital grant expenditures	<u>25,120</u>	<u>10,265</u>
	<u>\$ 33,218</u>	<u>\$ 18,832</u>

NOTE J - ENDOWMENT

[1] The endowment:

The endowment consists of 51 individual, donor-restricted funds, established for a variety of purposes. The Organization does not have any funds designated by the Board of Trustees to function as an endowment.

[2] Interpretation of relevant law:

As discussed in Note A[12][ii], NYPMIFA is applicable to all of the Organization's institutional funds, including its donor-restricted endowment funds. The Board of Trustees adheres to NYPMIFA's requirements.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements
June 30, 2022 and 2021
(in thousands)

NOTE J - ENDOWMENT (CONTINUED)

[3] Endowment net asset composition by type of fund, as of each fiscal-year-end:

	June 30, 2022		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Donor-restricted endowment funds:			
Adult Literacy Program	\$ (6)	\$ 132	\$ 126
Books	138	301	439
Branch Humanities	312	458	770
Central Library Information Commons	52	500	552
Staff Welfare	51	112	163
Plaza and Auditorium Programming	165	310	475
Youth and Children Programming	363	766	1,129
Willendorf Lecture Series	28	50	78
Brooklyn Historical Society- historical materials and artifacts	-	93	93
Brooklyn Historical Society- building maintenance and library additions	-	29	29
Librarians education funds	-	25	25
Others – undesignated	<u>24</u>	<u>136</u>	<u>160</u>
Total funds	<u>\$ 1,127</u>	<u>\$ 2,912</u>	<u>\$ 4,039</u>
	June 30, 2021		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Donor-restricted endowment funds:			
Adult Literacy Program	\$ 25	\$ 130	\$ 155
Books	251	301	552
Branch Humanities	511	458	969
Central Library Information Commons	195	500	695
Staff Welfare	107	112	219
Plaza and Auditorium Programming	274	310	584
Youth and Children Programming	654	766	1,420
Willendorf Lecture Series	48	50	98
Brooklyn Historical Society- historical materials and artifacts	-	93	93
Brooklyn Historical Society- building maintenance and library additions	-	29	29
Others – undesignated	<u>45</u>	<u>110</u>	<u>155</u>
Total funds	<u>\$ 2,110</u>	<u>\$ 2,859</u>	<u>\$ 4,969</u>

The amounts subject to appropriation represent the portion of allocated investment income, derived from endowment assets held in perpetuity, that have not yet been appropriated by the Board of Trustees for expenditures.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE J - ENDOWMENT (CONTINUED)

[4] Changes in endowment net assets during each fiscal-year end:

	June 30, 2022		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 2,110	\$ 2,859	\$ 4,969
Dividends and interest, net	132	-	132
Net realized and unrealized depreciation	(909)	-	(909)
Contributions	-	53	53
Appropriation of endowment assets for expenditures	<u>(206)</u>	<u>-</u>	<u>(206)</u>
Endowment net assets, end of year	<u>\$ 1,127</u>	<u>\$ 2,912</u>	<u>\$ 4,039</u>
	June 30, 2021		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 1,244	\$ 2,733	\$ 3,977
Dividends and interest, net	115	-	115
Net realized and unrealized appreciation	957	-	957
Contributions	-	4	4
Brooklyn Historical Society endowment	-	122	122
Appropriation of endowment assets for expenditures	<u>(206)</u>	<u>-</u>	<u>(206)</u>
Endowment net assets, end of year	<u>\$ 2,110</u>	<u>\$ 2,859</u>	<u>\$ 4,969</u>

[5] Return objectives and risk parameters:

The Board of Trustees has adopted investment and spending policies for endowment assets, the objective of which is to preserve purchasing power while providing a continuing and stable funding source to support the Organization's programs. To accomplish this objective, the endowment seeks to generate a total return that will exceed not only its operating expenses, but also all the expense associated with managing the endowment and the eroding effects of inflation. It is the Board's intention that all total investment returns, above and beyond the amount approved for expenditure or distribution, will be reinvested in the endowment assets. The endowment will be managed on a total return basis, consistent with the applicable standard of conduct set forth in NYPMIFA by the Board of Trustees.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE J - ENDOWMENT (CONTINUED)

[6] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Board relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board targets a diversified asset allocation that places a significant emphasis on equity-based investments to achieve its long-term return objectives, within prudent risk constraints.

[7] Spending policy:

For distribution each year, the Library's Board has a policy of appropriating 5%, and did appropriate 5%, of its endowment average fair value over the prior 60 months through the fiscal year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Board considered the long-term expected return on its endowment. Accordingly, over the long term, the Board expects the current spending policy to allow its endowment to grow sufficiently to preserve or increase the purchasing power of the endowment. This is consistent with the Board's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

The Library has a policy that permits spending from underwater endowment funds so long as the fair values of the funds are 90% or more of the endowed amount required by the donor or any applicable laws or regulations. There were no amounts spent from underwater funds during fiscal year's ending June 30, 2022 and 2021.

[8] Funds with deficiencies:

Due to unfavorable market fluctuations, from time to time, the fair value of assets associated with individual donor-restricted endowment funds may decline below the level that the donor or NYPMIFA may require the Organization to retain as a fund of perpetual duration. Under the terms of NYPMIFA, the Organization has no responsibility to restore such decreases in value. There were no funds with deficiencies as of June 30, 2021. However, as of June 30, 2022, there were three funds underwater. The original donated and fair market value of the three funds were approximately \$286, and accordingly they were underwater by \$6 as of June 30, 2022.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements June 30, 2022 and 2021 (in thousands)

NOTE K - NON-CASH CONTRIBUTIONS

[1] Contributed facilities and utilities:

During each fiscal-year, the value of facilities and utilities contributed to the Organization by The City of New York consisted of the following:

Non-Financial Contribution Category	Type of Contribution	Valuation	Year Ended June 30,	
			2022	2021
Contributed facilities	Property rent	Estimated market rental rate for similar properties in the same location	\$ 29,533	\$ 27,854
Contributed utilities	Heat, light and power	Estimated utility cost of which are paid by The City of New York	<u>2,796</u>	<u>2,239</u>
			<u>\$ 32,329</u>	<u>\$ 30,093</u>

[2] Contributed goods and services:

During each fiscal-year, the value of services contributed to the Organization consisted of the following:

Non-Financial Contribution Category	Type of Contribution	Valuation	Year Ended June 30,	
			2022	2021
Professional services	Pro bono legal services	Average industry rate for similar service	\$ 371	\$ 406
Media	Public service announcements	Third party estimates using negotiated rates	<u>59</u>	<u>85</u>
			<u>\$ 430</u>	<u>\$ 491</u>

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE L - COMMITMENTS, CONTINGENCIES AND UNCERTAINTY

[1] Pension benefits:

Substantially all of the Organization's employees are participants in the New York State and Local Employees' Retirement System ("NYSLRS"). NYSLRS is a cost-sharing, multiple-employer, public employee retirement system that offers plans and benefits related to years of service and final average salary. Members who joined the retirement system prior to January 1, 2010, require five years of service to be fully vested, and members who joined on or after January 1, 2010, need ten years of service to be fully vested. Pension expenses for fiscal years 2022 and 2021 amounted to \$10,652 and \$9,744, respectively. Under a 1937 agreement between the Organization and The City of New York, the City appropriate funds to cover the full cost of pension contribution for the Organization employees whose salaries are funded by the City.

The Organization was not listed in the plan's most recent available audited financial statements for providing more than five percent of the total contribution to the plan for the years ended March 31, 2021, and 2020. The Employer Identification Number for NYSLRS is 14-6020869. The most recent Pension Protection Act ("PPA") zone status is green at March 31, 2022 and 2021. Among other factors, plans in red zone are generally less than 65% funded, plans in yellow zone are less than 80% funded, and plans in green zone are at least 80% funded.

For participants who joined the system before July 27, 1976, the system is noncontributory. Participants who joined on or after July 27, 1976, are required to contribute 3% to 6% of their gross salary. Effective July 1, 2013, certain newly hired non-union exempt staff have the option of participating in either the NYSLRS program or the New York State Voluntary Defined Contribution ("VDC") pension program. VDC participants are required to contribute 4.5% to 6% of their gross salary, and the Organization contributes 8%. The VDC amount charged to expenses for fiscal years 2022 and 2021 amounted to \$244 and \$196, respectively.

[2] Post-retirement benefits:

The Organization contributes to a multi-employer, post-retirement benefit plan that provides defined-benefit health-care benefits to substantially all employees upon retirement. The Organization records related expense as payments are made. The City of New York appropriates funds to cover the full cost of post-retirement benefits for Organization employees each year as payments are made. Expenses related to this plan were \$3,134 and \$2,970 in fiscal years 2022 and 2021, respectively.

[3] Lease obligations:

The Organization is a party to a number of operating leases that expire at various dates through June 30, 2045. Various leases provide for increases in annual base rentals based on various expenses and other criteria. Aggregate rent expense amounted to \$1,397 and \$1,692 in fiscal years 2022 and 2021, respectively.

The total of the future minimum lease payments is amortized using the straight-line method over the term of the lease. The difference between rent expense calculated under this method and the actual rent paid is recorded as a deferred rent liability.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements
June 30, 2022 and 2021
 (in thousands)

NOTE L - COMMITMENTS, CONTINGENCIES AND UNCERTAINTY (CONTINUED)

[3] Lease obligations: (continued)

Aggregate future minimum lease payments under non-cancelable operating leases that have remaining terms in excess of one year as of June 30, 2022 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 1,527
2024	1,513
2025	953
2026	374
2027	374
Thereafter	<u>8,584</u>
	<u>\$ 13,325</u>

[4] Litigation:

The Organization is currently involved in litigation arising in the normal course of its activities. Management believes that the amount of losses that might be sustained beyond existing insurance coverage, if any, would not have a material effect on the consolidated financial statements.

[5] Grantor audits:

The Organization’s grantors, including agencies of the government of The City of New York, the State of New York, and the United States, have the right to conduct or otherwise require audits of funding they provide to the Organization. Such audits might result in disallowances of costs submitted for reimbursement or other questioned amounts. No amounts have been provided in the consolidated financial statements for such potential claims. Management believes that, in the event of such audits, any findings would not have a material effect on the Organization’s consolidated financial position or operations.

[6] BookOps:

On January 16, 2014, the Organization entered into a collaborative agreement, effective May 5, 2013, with The New York Public Library, Astor, Lenox and Tilden Foundations (“NYPL”) for the provision of technical services operations by NYPL’s BookOps department to both the Organization and NYPL. The collaborative operation is referred to as “BookOps” and its services include selection and ordering, acquisitions, cataloging, processing, sorting, and delivery of library materials, as well as other activities related to the provision of circulating library services.

The actual total cost and expenses incurred in the provision of the BookOps services is shared by each party, based on agreed-upon allocation percentages. Such allocation percentages are based on the service usage level as determined by the relevant cost drivers. The books and records are to be reviewed by an independent accountant following the end of each fiscal year, to evaluate the completeness and accuracy of the costs and expenses reported by BookOps and to determine the reasonableness of the allocation percentages. Expenses incurred by the Organization under this agreement were \$4,289 and \$3,109 for fiscal years 2022 and 2021, respectively, and are included in professional fees and contract service payments in the consolidated statements of functional expenses.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE L - COMMITMENTS, CONTINGENCIES AND UNCERTAINTY (CONTINUED)

[7] Other contracts:

In the normal course of business, the Organization enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

[8] Construction related to grants:

(i) South Site project:

In June 2015, the Organization entered into a Memorandum of Understanding with the New York City Economic Development Corporation ("NYCEDC") and the New York City Department of Cultural Affairs ("DCLA") for a joint capital project for a multi-tenant cultural programming space. NYCEDC, on behalf of DCLA, will undertake the design and construction of the Organization's portion of the project. DCLA will use City capital funds to pay for some of the Organization's portion of the project, with the expectation that the Organization will fund the balance of the project using non-City capital funds. The Organization will initially contribute approximately \$2,000 in non-City (private) funds to complement the City funds for the project. The final amount of the Organization's non-City contribution will be agreed upon in accordance with the cost estimates for the Organization's portion of the project. The amount included in construction-in-progress was approximately \$4,756 at June 30, 2022 and 2021.

(ii) Brower Park:

In December 2020, the Organization entered into a construction management contract with Armand Corporation ("Armand") for the for the construction and fit-out of its new Brower Park location to be co-located at the Brooklyn Children's Museum. Armand shall be paid a contract sum equals to all subcontract costs, general conditions costs, insurance costs at 2% of the cost of the work, and a fixed Construction Manager's fee of \$549. As of June 30, 2022 and 2021, the amount included in construction in progress for the project was approximately \$1,116 and \$1,805.

(iii) Sunset Park:

In September 2016, the Organization entered into an agreement with FAC Sunset Park, L.P. ("FAC"), through the New York City Department of Housing Preservation and Development, for the sale and redevelopment of the old Sunset Park Branch Library. Under the agreement FAC would redevelop the facility into a mixed-use affordable housing condominium. Upon completion of the development, the City would acquire the "core and shell" of a unit within the condominium to be developed as the new Sunset Park Branch Library. Pursuant to the retrofitting of the space for the new branch library, the Organization entered into a construction management agreement in September 2020 with Shawmut Design & Construction. Shawmut shall be paid a contract sum equals to all subcontract costs, general conditions costs, and a fixed Construction Manager's fee of 3.0% of the total branch project cost. At June 30, 2022 and 2021, the amount included in construction in progress was approximately \$2,168 and \$1,909.

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Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE M - LONG-TERM DEBT

During the year ended June 30, 2017, the Organization, through its wholly controlled entity obtained two loans from Bank of America, N.A. The Organization is obligated under the terms of a \$1,300 term loan agreement requiring payments of principal and interest, at 4.38% annually, through its maturity on June 15, 2027, at which time the remaining outstanding principal and interest will be due. The Organization also maintained a short-term loan in the amount of \$1,900. The annual interest rate for this loan was equal to the Bank's prime rate. During the year ended June 30, 2018, \$1,600 was repaid. The remaining \$300 was refinanced into a term loan agreement requiring payments of principal and interest, at 5.16% annually, through its maturity on June 15, 2027, at which time the remaining outstanding principal and interest will be due. The loans were fully repaid during fiscal year 2022 and the outstanding balances as of June 30, 2021 was \$1,425.

NOTE N - LINE-OF-CREDIT AGREEMENTS

On October 8, 2019, the Organization obtained a two-year revolving construction line of credit from TD Bank, N.A., in the amount of \$15,000. During fiscal year 2022, the line of credit agreement was increased to \$20,000, which expires on October 8, 2023. The interest rate is based on a variable rate for a two-year term at LIBOR plus 1%. The line of credit is unsecured, but dependent on the Organization maintaining its banking relationship with TD bank. The line is drawn to pay contractors for capital improvements. The payments will be reimbursed in full by The City of New York under the various pass-through or capital grant agreements between The City of New York and the Organization. Certain covenants exist under the terms of the agreement, which the Organization has complied with as of June 30, 2022. During the 2022 fiscal year, the Organization drew \$19,225 from the line-of-credit and made principal payments of \$8,447 resulting in an outstanding balance of \$13,998 and \$3,220 as of June 30, 2022 and 2021, respectively.

On May 3, 2019, the Organization entered into a line of credit agreement with Bank of America, N.A. in the amount of \$250, bearing interest at a fluctuating rate per annum equal to the LIBOR rate plus 2.75%. The outstanding balances on this line of credit were \$0 and \$225 as of June 30, 2022 and 2021, respectively.

NOTE O - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in interest-bearing accounts, with financial institutions the balances of which, from time to time, may exceed federally insured limits.

The Organization regularly reviews the Federal Reserve Stress Test Results of these institutions to assess their viability and financial strengths. The Organization's management believes that the Organization is not exposed to any significant risk of loss due to the likelihood of possible failure of these financial institutions.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(in thousands)

NOTE P - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year, because of contractual or donor-imposed restrictions or internal designations:

	Year Ended June 30,	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents and restricted cash	\$ 49,979	\$ 46,441
Contributions, grants and other receivable, net	35,433	16,389
Investments	<u>43,792</u>	<u>53,175</u>
Total financial assets available within one year	<u>129,204</u>	<u>116,005</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted cash	(107)	(107)
Restrictions by donors with purpose and time restrictions	(40,206)	(44,201)
Restricted by donors in perpetuity	<u>(2,912)</u>	<u>(2,859)</u>
Total amounts unavailable for general expenditure within one year	<u>(43,225)</u>	<u>(47,167)</u>
Amounts unavailable to management without Board approval:		
Board-designated for building renovation	(6,130)	(4,430)
Board-designated for use in future fiscal years	<u>(11,408)</u>	<u>(10,708)</u>
	<u>(17,538)</u>	<u>(15,138)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 68,441</u>	<u>\$ 53,700</u>

Liquidity policy:

The Organization's policy is to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due. Additionally, the Organization has a line of credit and Board designated net assets and while the Organization does not intend to spend the funds for purposes other than those identified, such funds could be used to help manage unanticipated liquidity needs, if necessary.