

BROOKLYN PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2023 and 2022

BROOKLYN PUBLIC LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Brooklyn Public Library

Report on the Audit of 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"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 as of June 30, 2023 and 2022, and the changes in its net assets and its 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 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.

Change in Accounting Principle

As discussed in Note A[15] to the financial statements, as of July 1, 2022, the Library adopted new accounting guidance for lease accounting in accordance with Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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 Library's ability to continue as a going concern for one year after the date that 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 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 Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
September 12, 2023



BROOKLYN PUBLIC LIBRARY

Statements of Financial Position (in thousands)

	June 30,	
	2023	2022
ASSETS		
Cash and cash equivalents (including restricted cash of \$107 at each year end)	\$ 43,640	\$ 39,814
Restricted cash segregated account	5,180	10,165
Contributions, grants and other receivables, net	18,704	35,433
Investments	45,222	43,792
Prepaid expenses and other assets	251	468
Right-of-use assets	10,137	-
Property and equipment, net	86,286	78,286
	<u>\$ 209,420</u>	<u>\$ 207,958</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 12,746	\$ 14,044
Deferred revenue	371	216
Funds received in advance	8,061	5,273
Line of credit payable	2,011	13,998
Lease liabilities	10,866	-
Accrued wages and related liabilities	16,788	17,476
	<u>50,843</u>	<u>51,007</u>
Total liabilities		
Commitments and contingencies (Note L)		
Net assets:		
Without donor restrictions:		
Undesignated, available for operations	108,662	96,295
Board-designated for building renovation	6,130	6,130
Board-designated for use in future fiscal years	12,358	11,408
	<u>127,150</u>	<u>113,833</u>
Total net assets without donor restrictions		
With donor restrictions:		
Restricted for time and purpose	28,366	40,206
Perpetual in nature	3,061	2,912
	<u>31,427</u>	<u>43,118</u>
Total net assets with donor restrictions		
Total net assets	<u>158,577</u>	<u>156,951</u>
	<u>\$ 209,420</u>	<u>\$ 207,958</u>

See notes to financial statements.

BROOKLYN PUBLIC LIBRARY

Statements of Activities (in thousands)

	Year Ended June 30,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues:						
City of New York appropriations	\$ 137,907	\$ -	\$ 137,907	\$ 126,936	\$ -	\$ 126,936
State of New York appropriations	8,942	-	8,942	8,333	-	8,333
Federal government grants	2,204	-	2,204	1,342	-	1,342
Contribution income	3,094	6,729	9,823	3,349	4,881	8,230
Purchase discount reimbursement contribution	578	-	578	633	-	633
Contributed facilities and utilities	33,360	-	33,360	32,329	-	32,329
Contributed goods and services	1,105	-	1,105	430	-	430
Net investment income designated for current operations	1,554	81	1,635	1,961	206	2,167
Special events (net of direct benefits to donors of \$98 in 2022)	-	-	-	1,241	-	1,241
Fines, royalties and other revenue	1,771	-	1,771	2,228	-	2,228
	<u>190,515</u>	<u>6,810</u>	<u>197,325</u>	<u>178,782</u>	<u>5,087</u>	<u>183,869</u>
Total operating support and revenues before net assets released from restrictions						
Net assets released from restrictions for operations	18,814	(18,814)	-	3,398	(3,398)	-
	<u>209,329</u>	<u>(12,004)</u>	<u>197,325</u>	<u>182,180</u>	<u>1,689</u>	<u>183,869</u>
Program services:						
Central library	32,592	-	32,592	29,333	-	29,333
Neighborhood libraries	125,443	-	125,443	110,940	-	110,940
Special programs	17,394	-	17,394	15,439	-	15,439
	<u>175,429</u>	<u>-</u>	<u>175,429</u>	<u>155,712</u>	<u>-</u>	<u>155,712</u>
Supporting services:						
Management and general	14,033	-	14,033	12,711	-	12,711
Fundraising	5,085	-	5,085	5,425	-	5,425
	<u>19,118</u>	<u>-</u>	<u>19,118</u>	<u>18,136</u>	<u>-</u>	<u>18,136</u>
Total operating expenses	<u>194,547</u>	<u>-</u>	<u>194,547</u>	<u>173,848</u>	<u>-</u>	<u>173,848</u>
Change in net assets from operating activities	14,782	(12,004)	2,778	8,332	1,689	10,021
Non-operating activities:						
Grants	312	-	312	4,069	-	4,069
Grants and capital contributions for improvement	-	2,751	2,751	-	25,120	25,120
With donor restrictions contributions - perpetual in nature	-	149	149	-	53	53
Capital grants expenditures	-	(2,751)	(2,751)	-	(25,120)	(25,120)
Release from restrictions for capital expenditures	-	-	-	4,700	(4,700)	-
Losses on disposal of property and equipment	-	-	-	(95)	-	(95)
Depreciation and amortization	(3,435)	-	(3,435)	(3,593)	-	(3,593)
Investment (losses) gains in excess (deficiency) of amounts not designated for current operations	1,658	164	1,822	(10,495)	(984)	(11,479)
	<u>(1,465)</u>	<u>313</u>	<u>(1,152)</u>	<u>(5,414)</u>	<u>(5,631)</u>	<u>(11,045)</u>
Change in net assets from non-operating activities						
Change in net assets	<u>13,317</u>	<u>(11,691)</u>	<u>1,626</u>	<u>2,918</u>	<u>(3,942)</u>	<u>(1,024)</u>
Net assets - beginning of year	113,833	43,118	156,951	110,915	47,060	157,975
	<u>\$ 127,150</u>	<u>\$ 31,427</u>	<u>\$ 158,577</u>	<u>\$ 113,833</u>	<u>\$ 43,118</u>	<u>\$ 156,951</u>

See notes to financial statements.

BROOKLYN PUBLIC LIBRARY

Statement of Functional Expenses Year Ended June 30, 2023 (in thousands)

	Program Services				Supporting Services			Total Expenses	
	Central Library	Neighborhood Libraries	Special Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2023	2022
Operating expenses									
Salaries and related expenses:									
Salaries	\$ 10,929	\$ 50,544	\$ 6,830	\$ 68,303	\$ 6,090	\$ 2,638	\$ 8,728	\$ 77,031	\$ 63,448
Fringe benefits	5,596	25,884	3,498	34,978	3,119	1,350	4,469	39,447	39,639
Total salaries and related expenses	16,525	76,428	10,328	103,281	9,209	3,988	13,197	116,478	103,087
Other operating expenses:									
Professional fees and contract service payments	1,361	6,294	851	8,506	2,274	349	2,623	11,129	9,520
Office expenses and related supplies	600	2,777	375	3,752	311	155	466	4,218	3,178
Telephone and telecommunications	601	2,780	375	3,756	183	133	316	4,072	3,194
Occupancy	781	2,714	223	3,718	619	20	639	4,357	3,730
Donated rent and utilities	9,583	19,923	3,279	32,785	535	40	575	33,360	32,329
Advertising and public service messages	96	441	60	597	14	24	38	635	576
Staff development/training	95	437	59	591	239	19	258	849	521
Books and public library materials	1,800	8,326	1,126	11,252	-	-	-	11,252	11,259
Insurance	185	855	115	1,155	197	-	197	1,352	1,153
Repairs and maintenance	835	3,867	522	5,224	286	119	405	5,629	3,819
Catering and decorations	-	-	-	-	-	-	-	-	462
Other expense	130	601	81	812	166	238	404	1,216	1,118
Total operating expenses before depreciation	32,592	125,443	17,394	175,429	14,033	5,085	19,118	194,547	173,946
Less: direct benefits to donors	-	-	-	-	-	-	-	-	(98)
Total operating expenses per statements of activities	32,592	125,443	17,394	175,429	14,033	5,085	19,118	194,547	173,848
Non-operating expenses:									
Depreciation and amortization	519	2,401	324	3,244	191	-	191	3,435	3,593
	\$ 33,111	\$ 127,844	\$ 17,718	\$ 178,673	\$ 14,224	\$ 5,085	\$ 19,309	\$ 197,982	\$ 177,441

See notes to financial statements.

BROOKLYN PUBLIC LIBRARY

Statement of Functional Expenses Year Ended June 30, 2022 (in thousands)

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

See notes to financial statements.

BROOKLYN PUBLIC LIBRARY

Statements of Cash Flows (in thousands)

	Year Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,626	\$ (1,024)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,435	3,593
Amortization of debt-issuance cost	-	31
Bad debts expense	118	53
Losses on disposal of property and equipment	-	95
Unrealized (gains) losses on investments	(2,678)	10,977
Net realized losses (gains) on sales of investments	686	(203)
Proceeds from the sale of donated securities	202	295
Donated securities	(208)	(294)
Contributions from donors with restrictions to be held in perpetuity	(149)	(53)
Noncash lease amortization	1,400	-
Capital grant expenditures	2,751	15,846
Changes in:		
Contributions, grants and other receivables, net	16,611	(19,097)
Prepaid expenses and other assets	216	93
Accounts payable, accrued expenses	644	(7,750)
Deferred revenue	155	66
Funds received in advance	2,788	(1,667)
Lease liabilities	(972)	-
Accrued wages and related liabilities	(687)	(1,879)
Net cash provided by (used in) operating activities	<u>25,938</u>	<u>(918)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	28,123	60,235
Purchases of investments	(27,555)	(61,627)
Purchases of property and equipment	(15,827)	(3,302)
Net cash used in investing activities	<u>(15,259)</u>	<u>(4,694)</u>
Cash flows from financing activities:		
Proceeds from line of credit payable	2,350	19,225
Repayment on line of credit payable	(14,337)	(8,672)
Repayment of loan payable	-	(1,456)
Contributions from donors with restrictions to be held in perpetuity	149	53
Net cash (used in) provided by financing activities	<u>(11,838)</u>	<u>9,150</u>
Net change in cash, cash equivalents and restricted cash	(1,159)	3,538
Cash, cash equivalents and restricted cash, beginning of year	<u>49,979</u>	<u>46,441</u>
Cash, cash equivalents and restricted cash, end of year	\$ 48,820	\$ 49,979
Supplemental disclosures of cash flow of information:		
Contributed goods and services	<u>\$ 1,105</u>	<u>\$ 430</u>
Contributed facilities and utilities	<u>\$ 33,360</u>	<u>\$ 32,329</u>
Capital expenditures included in accounts payable and accrued liabilities	<u>\$ 1,069</u>	<u>\$ 2,710</u>
Noncash lease liabilities arising from obtaining right-of-use asset	<u>\$ 11,838</u>	<u>\$ -</u>
Interest paid	<u>\$ 204</u>	<u>\$ 183</u>

See notes to financial statements.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (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 2.7 million Brooklynites with a Central Library, a Business Library, 59 branch locations, and historical archives and research collections. The Library 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 June 13, 2023, the Brooklyn Public Library was formally merged with The Brooklyn Historical Society (the "Society") under the charter of the New York State Board of Regents. Brooklyn Public Library, the surviving entity, will continue to administer the purposes of the merged entities. Prior to the merger, on October 1, 2020, the Library entered into an affiliation agreement with 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 accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Library accounted for the affiliation agreement as though the Library acquired the Society, as of the affiliation date, and in doing so, the Library recognized \$15,820 in net assets on the date of the affiliation agreement at fair value.

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

The Library 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.

[2] Basis of accounting:

The financial statements of the Library 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 Library 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, 2023, and 2022 included \$107, which is restricted for disbursements to entities involved in the Net-Working, NYC program. Additionally at June 30, 2023 and 2022, the Library held restricted cash of \$5,180 and \$10,165, 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 Library, 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 Library's investments consist of U.S. equity securities, international equity securities from developed markets, mutual funds trading in fixed income securities, and alternatives mutual funds.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

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

[5] Investments: (continued)

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 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 Library's policy is to sell donated securities immediately, and accordingly, for purposes of the 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 Library's investment manager in each fiscal year, and do not include those fees that are embedded in various other investment accounts and transactions.

[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 Library 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 40 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 when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value, recognizes any impairment in the year of determination. There were no triggering events during fiscal years 2023 or 2022 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] Collections:

The Library's collections are not included in the 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 Library maintains a policy whereby items purchased for the collections are recorded as expenses in the year in which the items are purchased. The Library 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, artwork, photographs, and printed materials held for public benefit. No collection items were deaccessioned during the fiscal years ending June 30, 2023 and 2022. These collections are maintained by the Library 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 \$140,000.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

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

[8] Annual and terminal leave policies:

(i) Annual leave:

The Library's employees accrue vacation each year based on tenure. Union employees accrue vacation at the start of the fiscal year, and nonunion 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 Library, and therefore, the Library must recognize a liability for the amount that would be incurred if employees with unused vacation time were to leave.

(ii) Terminal leave:

The Library 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 employee's accrued sick leave balance at retirement, not to exceed six months.

[9] Leases:

The Library determines if an arrangement is a lease at inception. For the Library's operating lease, a right-of-use ("ROU") asset represents the Library's right to use an underlying asset for the lease term and an operating lease liability represents an obligation to make lease payments arising from the lease. The ROU asset and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since the Library's lease agreements do not provide an implicit interest rate, the Library uses a risk-free rate based on the information available at the commencement date in determining the present value of the lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs, such as operating costs, are expensed as incurred.

[10] Net assets:

The net assets of the Library, 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 Library's Board-designated funds represent the portion of expendable funds that are available for support of the Library's operations, at the discretion of the Library's Board of Trustees (the "Board"). At June 30, 2023 and 2022, the Board has designated amounts for the subsequent fiscal year's operations and building renovation and improvements.

(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.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

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

[10] Net assets: (continued)

(iii) *Net assets with donor restrictions: (continued)*

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 Library's Board of Trustees, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the 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.

[11] Revenue recognition:

(i) *Contributions, grants and pledges:*

Contributions and grants to the Library 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 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 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 Library 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 Library's 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.

Contributed legal services have been included in the 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 Library'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 financial statements.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

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

[11] Revenue recognition: (continued)

(iv) *Contributed facilities:*

The Library 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 financial statements. The Library 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.

[12] Functional allocation of expenses:

The costs of providing various programs and supporting services have been reported on a functional basis in the statements of functional expenses, except for direct investment fees that have been offset against revenue in the statements of activities. The statements of functional expenses present the Library'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.

[13] Measure of operations:

The Library 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 Library'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) contributions perpetual in nature; and (v) all other nonrecurring items of revenue and expenses.

[14] Income taxes:

The Library 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 Library has always accrued the tax liability for this service and, because of the Library's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Library's financial statements.

[15] Adoption of accounting pronouncement:

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*, to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the statements of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Library elected to adopt ASU 2016-02 as of July 1, 2022 on a prospective basis.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

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

[15] Adoption of accounting pronouncement: (continued)

The Library has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Library accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contain a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

The new lease standard also provides practical expedients for an entity's ongoing accounting. The Library elected the short-term lease recognition exemption, under which the Library will not recognize right-of-use assets ("ROU") or lease liabilities on new or existing short-term leases. Short-term leases are defined as those with a term of 12 months or less. The Library also elected the practical expedient to not separate lease and non-lease components for certain classes of assets.

As a result of the adoption of the new lease accounting guidance, the Library recognized on July 1, 2022 (a) a lease liability of \$11,838 which represented the present value of the remaining lease payments of \$13,325 discounted using an average risk-free rate of 3.15%, and (b) a ROU asset of \$11,537. This standard did not have a material impact on the Library's statements of financial position or cash flows from operations and had no impact on the Library's statements of activities and changes in net assets. The most significant impact was the recognition of a ROU asset and lease obligation for an operating lease for fiscal year 2023.

[16] Subsequent events:

The Library evaluated subsequent events through September 12, 2023, the date on which the financial statements were available to be issued.

[17] Reclassifications:

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

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE B - RECEIVABLES

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

	June 30,	
	<u>2023</u>	<u>2022</u>
Appropriations and grants - State of New York	\$ 4,618	\$ 5,006
Appropriations and grants - The City of New York	<u>10,407</u>	<u>26,051</u>
Total appropriations and grants	15,025	31,057
Contributions receivables: less than one year	2,793	3,535
Contributions receivables: one to five years	<u>505</u>	<u>333</u>
	3,298	3,868
Less: discount to present value (at a discount rate ranging from 1.45% - 2.98%)	(18)	(7)
Less: allowance for doubtful accounts	<u>(117)</u>	<u>(68)</u>
Total net contribution receivables	3,163	3,793
Purchase discount reimbursement contributions receivable	207	401
Other receivables, net of allowance for doubtful accounts of \$1 and \$3 in 2023 and 2022, respectively	<u>309</u>	<u>182</u>
	<u>\$ 18,704</u>	<u>\$ 35,433</u>

The Library applied uncollectible contributions receivables and other receivables to the allowance of approximately \$71 and \$30 during fiscal years 2023 and 2022, respectively.

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 Library and the Universal Service Fund ("USF"), a not-for-profit organization, whereby USF grants to the Library an amount equal to an agreed-upon percentage of expenditures made by the Library in connection with certain public access/information technology initiatives (90% for data transmission and Internet access in fiscal year 2023 and fiscal year 2022; and 85% for internal connections in 2023). Items and services are purchased by the Library from vendors specified in the agreement, and consequently, a contribution at the specified level is made by USF to the Library. Total expenditures related to the agreement were approximately \$765 and \$710 for fiscal years 2023 and 2022, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE C - INVESTMENTS

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

	June 30,	
	2023	2022
Stocks/mutual funds:		
U.S. equity securities/funds	\$ 14,784	\$ 14,988
International equity securities from developed markets	10,719	9,504
Fixed income funds	10,953	13,949
Alternative funds	8,766	5,351
	<u>\$ 45,222</u>	<u>\$ 43,792</u>

Investment income for each fiscal year consisted of the following:

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest (net of investment expenses of \$49)	\$ 1,329	\$ 136	\$ 1,465
Net realized losses on sale of investments	(622)	(64)	(686)
Net unrealized gains on investments	2,505	173	2,678
	<u>3,212</u>	<u>245</u>	<u>3,457</u>
Investment gains, net	3,212	245	3,457
Less: Investment earnings designated for current operations	(1,658)	(164)	(1,822)
	<u>1,554</u>	<u>81</u>	<u>1,635</u>
Investment gains not designated for current operations, net	\$ 1,554	\$ 81	\$ 1,635

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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	(10,049)	(928)	(10,977)
	<u>(8,534)</u>	<u>(778)</u>	<u>(9,312)</u>
Investment loss, net	(8,534)	(778)	(9,312)
Less: Investment earnings designated for current operations	(1,961)	(206)	(2,167)
	<u>(10,495)</u>	<u>(984)</u>	<u>(11,479)</u>
Investment losses not designated for current operations, net	\$ (10,495)	\$ (984)	\$ (11,479)

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE C - INVESTMENTS (CONTINUED)

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 Library'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 financial statements.

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.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE C - INVESTMENTS (CONTINUED)

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

	June 30, 2023	
	Level 1	Total
Stocks/mutual funds:		
U.S. equity securities/funds	\$ 14,784	\$ 14,784
International equity securities from developed markets	10,719	10,719
Fixed income funds	10,953	10,953
Alternative funds	8,766	8,766
	\$ 45,222	\$ 45,222

	June 30, 2022	
	Level 1	Total
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
Alternative funds	5,351	5,351
	\$ 43,792	\$ 43,792

NOTE D - PROPERTY AND EQUIPMENT

The Library's branch properties are owned by The City of New York and are occupied by the Library 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 Library from its operating budget, capital improvements to the Library'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 Library's financial records. In fiscal years 2023 and 2022, The City of New York reimbursed the Library approximately \$2,751 and \$25,121 for capital grant expenditures, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE D - PROPERTY AND EQUIPMENT (CONTINUED)

In fiscal years 2023 and 2022, The City of New York appropriated approximately \$23,600 and \$31,818, respectively, for capital expenditures relating to renovations of City-owned branches. During the previous ten fiscal years, 2013 to 2022, The City of New York contributed approximately \$229,388 for branch capital-improvement expenses. The City of New York's total commitment as of June 30, 2023, to branch capital improvement, is approximately \$333,107 over the next five fiscal years.

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

	June 30,	
	2023	2022
Land	\$ 11,600	\$ 11,600
Furniture and fixtures, and others	14,996	15,348
Building	5,312	5,312
Leasehold improvements	57,604	57,024
Computer equipment	997	2,647
	90,509	91,931
Less: accumulated depreciation and amortization	(22,338)	(21,903)
	68,171	70,028
Construction-in-progress	18,115	8,258
	\$ 86,286	\$ 78,286

During fiscal years 2023 and 2022, the Library wrote off approximately \$3,000 and \$4,380, respectively, of fully-depreciated computer equipment and furniture and fixtures that were no longer in use. In addition, the Library disposed of leasehold improvements and website expenses during fiscal year 2022 in the amount of approximately \$135, which resulted in a loss on disposal of approximately \$95. No such disposals occurred during fiscal year 2023.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE E - DEFERRED REVENUE

The following table provides information about significant changes in the contract liabilities that relate to the Library's programs, which includes summer camp, during each fiscal year:

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Deferred revenue, beginning year	\$ 216	\$ 149
Revenue recognized that was included in the deferred at the beginning of the year	(93)	(25)
Increase in deferred revenue due to cash received during the period	<u>248</u>	<u>92</u>
Deferred revenue, end of year	<u>\$ 371</u>	<u>\$ 216</u>

There were no other significant contract liabilities or assets at June 30, 2023 or 2022.

NOTE F - FUNDS RECEIVED IN ADVANCE

The Library has received funding related to certain contracts and grants from the State of New York and The City of New York prior to the Library 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, 2023 and 2022, funds received in advance were approximately \$8,061 and \$5,273, respectively.

NOTE G - ACCRUED VACATION BENEFITS

The financial statements include a liability for unused vacation benefits earned by employees and carried forward at each fiscal year-end, which amounted to approximately \$5,773 and \$5,159 for fiscal years 2023 and 2022, 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 statements of financial position as part of accrued wages and related liabilities.

NOTE H - ACCRUED TERMINAL LEAVE OBLIGATION

The Library provides terminal leave with pay upon retirement, not to exceed one month for every ten years of service, prorated for fractional parts thereof. The Library has estimated the actuarial present value of the accumulated terminal leave benefit to be \$10,288 and \$9,291 as of June 30, 2023 and 2022, respectively. Such amounts have been reported in the 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 4.90% per annum (4.40% per annum in fiscal year 2022); (ii) a salary increase rate of 3.10% per annum for union employees and 3.50% for nonunion employees for both fiscal years 2023 and 2022, and (iii) withdrawal rates ranging from 9.50% at age 20 to 3.70% at age 55 for both fiscal years 2023 and 2022, with a retirement age of 65 in both fiscal years 2023 and 2022. 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 Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	June 30,	
	2023	2022
Purpose restricted:		
Operating:		
Library materials acquisitions*	\$ 884	\$ 452
Branch library support*	1,999	2,007
Special programs and other:		
Central Library Information Commons*	91	81
Child's Place	91	42
Plaza and auditorium*	323	212
Summer reading	116	98
Center for Brooklyn History	368	577
Summer Camp	299	413
Artist in residence	84	18
Other*	8,795	6,124
	13,050	10,024
Non-operating:		
Brooklyn Historical Society	-	14,866
Capital projects (see Note L[8])	15,316	15,316
	28,366	40,206
Restricted for time and purpose	28,366	40,206
Perpetual in nature	3,061	2,912
	\$ 31,427	\$ 43,118

*Collectively, these categories include accumulated endowment income of \$1,208 and \$1,127 as of June 30, 2023 and 2022, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (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:

	June 30,	
	2023	2022
Operating:		
Library materials acquisitions	\$ 325	\$ 97
Branch library support	285	395
Special programs and other:		
Central Library Information Commons	24	30
Child's Place	4	24
Plaza and auditorium	62	164
Summer reading	68	61
Center for Brooklyn History	316	74
Summer Camp	130	56
Artist in residence	18	-
Brooklyn Historical Society	15,031	190
Other	2,551	2,307
	18,814	3,398
Non-operating:		
Brooklyn Heights and Adams Street placed in service	-	4,700
Capital grant expenditures	2,751	25,120
	\$ 21,565	\$ 33,218

NOTE J - ENDOWMENT

[1] The endowment:

The endowment consists of 53 individual, donor-restricted funds, established for a variety of purposes. The Library 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[10][ii], NYPMIFA is applicable to all of the Library's institutional funds, including its donor-restricted endowment funds. The Board of Trustees adheres to NYPMIFA's requirements.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE J - ENDOWMENT (CONTINUED)

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

	<u>June 30, 2023</u>		
	<u>With Donor Restrictions</u>		
	<u>Amounts Subject to Appropriation</u>	<u>Amounts Held in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds:			
Adult Literacy Program	\$ -	\$ 132	\$ 132
Books	146	301	447
Branch Humanities	326	458	784
Central Library Information Commons	62	500	562
Staff Welfare	56	112	168
Plaza and Auditorium Programming	174	310	484
Youth and Children Programming	383	766	1,149
Willendorf Lecture Series	30	50	80
Brooklyn Historical Society-historical materials and artifacts	6	93	99
Brooklyn Historical Society-building maintenance	2	29	31
Librarians education funds	1	174	175
Others - undesignated	22	136	158
	<u>\$ 1,208</u>	<u>\$ 3,061</u>	<u>\$ 4,269</u>
	<u>June 30, 2022</u>		
	<u>Amounts Subject to Appropriation</u>	<u>Amounts Held in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds:			
Adult Literacy Program	\$ -	\$ 132	\$ 132
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	18	136	154
	<u>\$ 1,127</u>	<u>\$ 2,912</u>	<u>\$ 4,039</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 Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE J - ENDOWMENT (CONTINUED)

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

	June 30, 2023		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Endowment net assets, beginning of year	\$ 1,127	\$ 2,912	\$ 4,039
Dividends and interest, net	136	-	136
Net realized and unrealized appreciation	109	-	109
Contributions	-	149	149
Appropriation of endowment assets for expenditures	(164)	-	(164)
Endowment net assets, end of year	<u>\$ 1,208</u>	<u>\$ 3,061</u>	<u>\$ 4,269</u>

	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	(206)	-	(206)
Endowment net assets, end of year	<u>\$ 1,127</u>	<u>\$ 2,912</u>	<u>\$ 4,039</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 Library'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 expenses 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 Financial Statements June 30, 2023 and 2022 (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%, but in fiscal year 2023, the Board voted to appropriate 4%, 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 fiscal year 2022, the Board approved an appropriation of 5%. 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 years ending June 30, 2023 and 2022.

[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 Library to retain as a fund of perpetual duration. Under the terms of NYPMIFA, the Library has no responsibility to restore such decreases in value. During fiscal year 2023, there were two funds underwater with their original donated value totaling approximately \$208, and fair market value as of June 30, 2023 of approximately \$202, and accordingly they were underwater by \$6. As of June 30, 2022, there was three funds underwater, with their original donated value totaling approximately \$286, fair value of approximately \$280, and accordingly they were underwater by \$6 as of June 30, 2022.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (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 Library by The City of New York consisted of the following:

Non-Financial Contribution Category	Type of Contribution	Valuation	Year Ended June 30,	
			2023	2022
Contributed facilities	Property rent	Estimated market rental rate for similar properties in the same location	\$ 30,329	\$ 29,533
Contributed utilities	Heat, light & power	Estimated utility cost which which are paid by The City of New York	3,031	2,796
			<u>\$ 33,360</u>	<u>\$ 32,329</u>

[2] Contributed goods and services:

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

Non-Financial Contribution Category	Type of Contribution	Valuation	Year Ended June 30,	
			2023	2022
In-kind services	Pro-bono legal services	Average industry rate for similar service	\$ 898	\$ 371
Media	Public service announcements	Third-party estimates using negotiated rates	207	59
			<u>\$ 1,105</u>	<u>\$ 430</u>

NOTE L - COMMITMENTS AND CONTINGENCIES

[1] Pension benefits:

Substantially all of the Library'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 2023 and 2022 amounted to \$9,439 and \$10,652, respectively. Under a 1937 agreement between the Library and The City of New York, the City appropriates funds to cover the full cost of pension contribution for the Library's employees whose salaries are funded by the City.

BROOKLYN PUBLIC LIBRARY

**Notes to Financial Statements
June 30, 2023 and 2022
(in thousands)**

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[1] Pension benefits: (continued)

The Library 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, 2022 and 2021. The Employer Identification Number for NYSLRS is 14-6020869. The most recent Pension Protection Act (“PPA”) zone status is green at March 31, 2023 and 2022. 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 non-contributory. 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 nonunion 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 Library contributes 8%. The VDC amount charged to expenses for fiscal years 2023 and 2022 amounted to approximately \$300 and \$244, respectively.

[2] Post-retirement benefits:

The Library contributes to a multi-employer, post-retirement benefit plan that provides defined-benefit healthcare benefits to substantially all employees upon retirement. The Library records related expenses as payments are made. The City of New York appropriates funds to cover the full cost of post-retirement benefits for Library employees each year as payments are made. Expenses related to this plan were approximately \$3,108 and \$3,134 in fiscal years 2023 and 2022, respectively.

[3] Leases:

Information relating to the “lease costs”, which include all costs during the period associated with operating leases as well as the costs related to variable lease components:

	June 30,	
	2023	2022
Operating lease costs	\$ 2,111	\$ 1,397
Variable lease costs	197	178
Total lease cost	\$ 2,308	\$ 1,575

BROOKLYN PUBLIC LIBRARY

**Notes to Financial Statements
June 30, 2023 and 2022
(in thousands)**

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[3] Leases: (continued)

The Library 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. The minimum payments due under these agreements are as of June 30, 2023 follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 1,754
2025	1,201
2026	629
2027	637
2028	699
Thereafter	<u>9,426</u>
Total minimum lease payments	14,346
Less: amount representing interest	<u>(3,480)</u>
Amount reported on statement of financial position	<u>\$ 10,866</u>

The table below presents additional information related to the Library’s lease for 2023:

Weighted average remaining lease term:	
Operating lease	16.10 years
 Weighted average discount rate:	
Operating lease	3.15%

BROOKLYN PUBLIC LIBRARY

**Notes to Financial Statements
June 30, 2023 and 2022
(in thousands)**

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[3] Leases: (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 were 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 Library 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 financial statements.

[5] Grantor audits:

The Library’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 Library. Such audits might result in disallowances of costs submitted for reimbursement or other questioned amounts. No amounts have been provided in the 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 Library’s financial position or operations.

[6] BookOps:

On January 16, 2014, the Library 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 Library 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 Library under this agreement were approximately \$4,191 and \$4,289 for fiscal years 2023 and 2022, respectively, and are included in professional fees and contract service payments in the statements of functional expenses.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[7] Other contracts:

In the normal course of business, the Library 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 Library 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 Library's portion of the project. DCLA will use City capital funds to pay for some of the Library's portion of the project, with the expectation that the Library will fund the balance of the project using non-City capital funds. The Library will initially contribute approximately \$2,000 in non-City (private) funds to complement the City funds for the project. The final amount of the Library's non-City contribution will be agreed upon in accordance with the cost estimates for the Library's portion of the project. The amount included in construction-in-progress was approximately \$4,756 at June 30, 2023 and 2022.

(ii) *Brower Park:*

In December 2020, the Library 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 \$548. As of June 30, 2022 the amount included in construction in progress for the project was approximately \$1,116. The assets were placed in service during the current year.

(iii) *Sunset Park:*

In September 2016, the Library 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 Library 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, 2023 and 2022, the amount included in construction in progress was approximately \$10,349 and \$2,168, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE M - LINE-OF-CREDIT AGREEMENTS

On October 8, 2019, the Library obtained a 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. On May 22, 2023, the agreement was amended to extend the expiration date to April 21, 2026, and convert the base interest rate to Secured Overnight Financing Rate ("SOFR"). The interest rate is based on a variable rate of SOFR plus 1.12%, equating to 6.28% and 2.06% at June 30, 2023 and 2022, respectively. The line of credit is unsecured, but dependent on the Library 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 Library. Certain covenants exist under the terms of the agreement, which the Library has complied with as of June 30, 2023. During the 2023 fiscal year, the Library drew \$2,350 from the line-of-credit and made principal payments of \$14,337 resulting in an outstanding balance of \$2,011 and \$13,998 as of June 30, 2023 and 2022, respectively.

NOTE N - CONCENTRATION OF CREDIT RISK

The Library 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 Library regularly reviews the Federal Reserve Stress Test Results of these institutions to assess their viability and financial strengths. The Library's management monitors the risk associated with the concentration on an ongoing basis.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2023 and 2022 (in thousands)

NOTE O - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Library's financial assets as of the 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>2023</u>	<u>2022</u>
Cash and cash equivalents and restricted cash	\$ 48,820	\$ 49,979
Contributions, grants and other receivables, net	18,704	35,433
Investments	<u>45,222</u>	<u>43,792</u>
 Total financial assets available within one year	 112,746	 129,204
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted cash	(107)	(107)
Restrictions by donors with purpose and time restrictions	(28,366)	(40,206)
Restricted by donors in perpetuity	<u>(3,061)</u>	<u>(2,912)</u>
 Total amounts unavailable for general expenditure within one year	 <u>(31,534)</u>	 <u>(43,225)</u>
 Amounts unavailable to management without Board approval:		
Board-designated for building renovation	(6,130)	(6,130)
Board-designated for use in future fiscal years	<u>(12,358)</u>	<u>(11,408)</u>
	 <u>(18,488)</u>	 <u>(17,538)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 62,724</u>	 <u>\$ 68,441</u>

Liquidity policy:

The Library'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 Library has a line of credit and Board designated net assets and while the Library 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.