

EISNERAMPER

BROOKLYN PUBLIC LIBRARY

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020



BROOKLYN PUBLIC LIBRARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Brooklyn Public Library

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Brooklyn Public Library (the "Library"), and its wholly-controlled entity (together, the "Organization") which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Brooklyn Public Library and its wholly-controlled entity as of June 30, 2021 and 2020, 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.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
September 14, 2021

EISNERAMPER
LLP



BROOKLYN PUBLIC LIBRARY

Consolidated Statements of Financial Position (in thousands)

	June 30,	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (including restricted cash of \$107 at each year end)	\$ 43,605	\$ 32,461
Restricted cash segregated account	2,836	14,480
Contributions, grants and other receivables, net	16,389	25,881
Investments	53,175	42,411
Prepaid and other assets	560	604
Property and equipment, net	<u>91,808</u>	<u>58,637</u>
	<u>\$ 208,373</u>	<u>\$ 174,474</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 19,084	\$ 19,306
Deferred revenue	149	123
Funds received in advance	6,940	6,255
Loan payable, net	1,425	-
Line of credit payable	3,445	4,364
Accrued wages and related liabilities	<u>19,355</u>	<u>23,811</u>
Total liabilities	<u>50,398</u>	<u>53,859</u>
Commitments, contingencies and uncertainty (Note L)		
Net Assets:		
Without donor restrictions:		
Undesignated, available for operations	95,777	76,216
Board-designated for building renovation	4,430	5,830
Board-designated for use in future fiscal years	<u>10,708</u>	<u>4,839</u>
Total net assets without donor restrictions	<u>110,915</u>	<u>86,885</u>
With donor restrictions:		
Restricted for time and purpose	44,201	30,997
Perpetual in nature	<u>2,859</u>	<u>2,733</u>
Total net assets with donor restrictions	<u>47,060</u>	<u>33,730</u>
Total net assets	<u>157,975</u>	<u>120,615</u>
Total net assets and liabilities	<u>\$ 208,373</u>	<u>\$ 174,474</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statements of Activities (in thousands)

	Year Ended June 30,					
	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenues:						
The City of New York appropriations	\$ 126,438	\$ -	\$ 126,438	\$ 126,692	\$ -	\$ 126,692
State of New York appropriations	7,896	-	7,896	7,594	-	7,594
Federal government grants	1,517	-	1,517	1,384	-	1,384
Contribution income	3,244	4,353	7,597	2,281	3,484	5,765
Purchase discount reimbursement contribution	496	-	496	433	-	433
Contributed facilities and utilities	30,093	-	30,093	33,837	-	33,837
Investment income designated for current operations	1,932	206	2,138	1,871	196	2,067
Contributed goods and services	491	-	491	1,011	-	1,011
Special events (net of direct benefits to donors of \$18 and \$15 in 2021 and 2020, respectively)	640	-	640	39	-	39
Fines, royalties, and other revenue	1,542	-	1,542	6,845	-	6,845
	<u>174,289</u>	<u>4,559</u>	<u>178,848</u>	<u>181,987</u>	<u>3,680</u>	<u>185,667</u>
Net assets released from restrictions for operations	3,522	(3,522)	-	2,674	(2,674)	-
Total operating support and revenues	<u>177,811</u>	<u>1,037</u>	<u>178,848</u>	<u>184,661</u>	<u>1,006</u>	<u>185,667</u>
Operating expenses:						
Program services:						
Central library	28,341	-	28,341	30,905	-	30,905
Neighborhood libraries	105,556	-	105,556	113,430	-	113,430
Special programs	14,745	-	14,745	15,900	-	15,900
Total program services	<u>148,642</u>	<u>-</u>	<u>148,642</u>	<u>160,235</u>	<u>-</u>	<u>160,235</u>
Supporting services:						
Management and general	12,808	-	12,808	14,911	-	14,911
Fundraising	4,739	-	4,739	4,705	-	4,705
Total supporting services	<u>17,547</u>	<u>-</u>	<u>17,547</u>	<u>19,616</u>	<u>-</u>	<u>19,616</u>
Total operating expenses	<u>166,189</u>	<u>-</u>	<u>166,189</u>	<u>179,851</u>	<u>-</u>	<u>179,851</u>
Change in net assets from operating activities	<u>11,622</u>	<u>1,037</u>	<u>12,659</u>	<u>4,810</u>	<u>1,006</u>	<u>5,816</u>
Non-operating activities:						
Grants	3,126	-	3,126	1,430	-	1,430
Grants and capital contributions for improvements	-	10,913	10,913	-	20,309	20,309
With donor restrictions contributions – perpetual in nature	-	4	4	-	27	27
Capital grants expenditures	-	(10,265)	(10,265)	-	(18,009)	(18,009)
Release from restrictions for capital expenditures	4,800	(4,800)	-	-	-	-
Release from restrictions for Brooklyn Historical Society	245	(245)	-	-	-	-
Losses on disposals of property and equipment	(477)	-	(477)	(665)	-	(665)
Net assets acquired in-kind from Brooklyn Historical Society	-	15,820	15,820	-	-	-
Depreciation and amortization	(4,170)	-	(4,170)	(3,861)	-	(3,861)
Investment gains (losses) in excess (deficiency) of amounts designated for current operations	8,884	866	9,750	(1,156)	(136)	(1,292)
Change in net assets from non-operating activities	<u>12,408</u>	<u>12,293</u>	<u>24,701</u>	<u>(4,252)</u>	<u>2,191</u>	<u>(2,061)</u>
Increase in net assets	<u>24,030</u>	<u>13,330</u>	<u>37,360</u>	<u>558</u>	<u>3,197</u>	<u>3,755</u>
Net assets - beginning of year	<u>86,885</u>	<u>33,730</u>	<u>120,615</u>	<u>86,327</u>	<u>30,533</u>	<u>116,860</u>
Net assets - end 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>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statement of Functional Expenses Year Ended June 30, 2021

(with comparative totals for June 30, 2020)
(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	2021	2020
Operating expenses:									
Salaries and related expenses:									
Salaries	\$ 9,094	\$ 42,058	\$ 5,683	\$ 56,835	\$ 5,536	\$ 2,431	\$ 7,967	\$ 64,802	\$ 71,234
Fringe benefits	5,037	23,296	3,148	31,481	3,066	1,346	4,412	35,893	36,280
Total salaries and related expenses	14,131	65,354	8,831	88,316	8,602	3,777	12,379	100,695	107,514
Other operating expenses:									
Professional fees and contract service payments	901	4,168	563	5,632	1,936	368	2,304	7,936	10,748
Office expenses and related supplies	347	1,607	217	2,171	283	92	375	2,546	2,215
Telephone and telecommunications	495	2,288	309	3,092	121	94	215	3,307	3,562
Occupancy	626	2,174	179	2,979	627	14	641	3,620	3,504
Donated rent and utilities	9,134	17,446	2,955	29,535	519	39	558	30,093	33,837
Advertising and public service messages	117	542	73	732	28	32	60	792	551
Staff development and training	50	231	31	312	126	12	138	450	542
Books and public library materials for circulation	1,758	8,130	1,099	10,987	-	-	-	10,987	12,219
Insurance	163	754	102	1,019	81	-	81	1,100	1,031
Repairs and maintenance	514	2,378	321	3,213	375	54	429	3,642	3,090
Catering and decorations	-	-	-	-	-	119	119	119	61
Other expenses	105	484	65	654	110	156	266	920	992
Total expenses	28,341	105,556	14,745	148,642	12,808	4,757	17,565	166,207	179,866
Less: direct benefits to donors	-	-	-	-	-	(18)	(18)	(18)	(15)
Total operating expenses per consolidated statements of activities	28,341	105,556	14,745	148,642	12,808	4,739	17,547	166,189	179,851
Non-operating expenses:									
Depreciation and amortization	662	3,061	414	4,137	33	-	33	4,170	3,861
Total	\$ 29,003	\$ 108,617	\$ 15,159	\$ 152,779	\$ 12,841	\$ 4,739	\$ 17,580	\$ 170,359	\$ 183,712

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statement of Functional Expenses Year Ended June 30, 2020 (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	\$ 10,102	\$ 46,722	\$ 6,314	\$ 63,138	\$ 5,766	\$ 2,330	\$ 8,096	\$ 71,234
Fringe benefits	5,145	23,795	3,216	32,156	2,937	1,187	4,124	36,280
Total salaries and related expenses	15,247	70,517	9,530	95,294	8,703	3,517	12,220	107,514
Other operating expenses:								
Professional fees and contract service payments	990	4,580	619	6,189	3,981	578	4,559	10,748
Office expenses and related supplies	304	1,406	190	1,900	218	97	315	2,215
Telephone and telecommunications	533	2,467	333	3,333	120	109	229	3,562
Occupancy	651	2,262	186	3,099	386	19	405	3,504
Donated rent and utilities	10,429	19,477	3,322	33,228	566	43	609	33,837
Advertising and public service messages	83	382	51	516	13	22	35	551
Staff development and training	55	256	35	346	176	20	196	542
Books and public library materials for circulation	1,955	9,042	1,222	12,219	-	-	-	12,219
Insurance	149	687	93	929	102	-	102	1,031
Repairs and maintenance	399	1,846	250	2,495	538	57	595	3,090
Catering and decorations	-	-	-	-	-	61	61	61
Other expenses	110	508	69	687	108	197	305	992
Total expenses	30,905	113,430	15,900	160,235	14,911	4,720	19,631	179,866
Less: direct benefits to donors	-	-	-	-	-	(15)	(15)	(15)
Total operating expenses per Per consolidated statements of activities	30,905	113,430	15,900	160,235	14,911	4,705	19,616	179,851
Non-operating expenses:								
Depreciation and amortization	616	2,848	385	3,849	12	-	12	3,861
	<u>\$ 31,521</u>	<u>\$ 116,278</u>	<u>\$ 16,285</u>	<u>\$ 164,084</u>	<u>\$ 14,923</u>	<u>\$ 4,705</u>	<u>\$ 19,628</u>	<u>\$ 183,712</u>

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 37,360	\$ 3,755
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,170	3,861
Amortization of debt-issuance cost	4	-
Bad debts expense	48	30
Losses on disposals of property and equipment	477	665
In-kind contribution- Brooklyn Historical Society	(15,820)	-
Unrealized (gains) losses on investments	(4,068)	409
Net realized gains on sales of investments	(6,575)	(79)
Proceeds from the sale of donated securities	112	77
Donated securities	(112)	(77)
Contributions from donors with restrictions to be held in perpetuity	(4)	(27)
Changes in:		
Contribution, grants and other receivables, net	9,805	(4,894)
Prepaid expenses and other assets	91	450
Accounts payable and accrued expenses	(591)	5,095
Deferred revenue	17	(94)
Funds received in advance	684	3,780
Accrued wages and related liabilities	(4,456)	6,423
Net cash provided by operating activities	<u>21,142</u>	<u>19,374</u>
Cash flows from investing activities:		
Proceeds from sales of investments	28,138	31,602
Purchases of investments	(28,259)	(10,833)
Cash acquired from Brooklyn Historical Society	911	-
Purchases of property and equipment	(20,754)	(17,825)
Net cash (used in) provided by investing activities	<u>(19,964)</u>	<u>2,944</u>
Cash flows from financing activities:		
Proceeds from line of credit payable	14,890	17,200
Repayment on line of credit payable	(16,034)	(12,836)
Repayment of loan payable	(538)	-
Contributions from donors with restrictions to be held in perpetuity	4	27
Net cash (used in) provided by financing activities	<u>(1,678)</u>	<u>4,391</u>
Net change in cash, cash equivalents and restricted cash	(500)	26,709
Cash, cash equivalents and restricted cash, beginning of year	<u>46,941</u>	<u>20,232</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>46,441</u>	\$ <u>46,941</u>
Supplemental disclosures of cash flow of information:		
Taxes paid	\$ -	\$ 306
Contributed goods and services	\$ 491	\$ 1,011
Contributed facilities and utilities	\$ 30,093	\$ 33,837
Interest paid	\$ 164	\$ 177
In-kind contribution from the Society	\$ 15,820	\$ -
Non-cash assets acquired from the Society	\$ 15,835	\$ -
Non-cash liabilities acquired from the Society	\$ 2,563	\$ -

See notes to consolidated financial statements.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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 58 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 restriction 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, 2021 and 2020

(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, 2021 and 2020 included \$107, which is restricted for disbursements to entities involved in the Net-Working, NYC program. Additionally at June 30, 2021 and 2020, the Organization held restricted cash of \$2,836 and \$14,480, 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, emerging market equity securities, mutual funds trading in fixed income securities, hedge funds and multi-market funds. During fiscal-year 2021, the Organization liquidated its holdings of the hedge funds and emerging market equity securities. The Organization also had an investment in an offshore hedge fund which is not readily marketable. The fair value of the hedge fund has been estimated based on the respective net asset value ("NAV") per share of the investment, as reported by the investment manager. The hedge fund was an event driven long/short fund focused on the community and regional banking sectors.

Because of the complex management structure and nature of the hedge fund and the inherent uncertainty of the valuations due to the use of NAV as a practical expedient of fair value, the Organization's management and its investment manager monitor its position on a routine basis, to reduce the risk of potential losses due to changes in fair value. Management believes the carrying amount of the investment in the hedge fund was a reasonable estimate of its fair value. However, estimated fair values may differ significantly from the values that would have been used had a ready market for this investment existed.

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. Distributions from the hedge fund that represent a return of contributed capital reduce the cumulative costs basis of the investment. Distributions received from the hedge fund in excess of the Organization's cumulative cost basis are recognized as realized gains. 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.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

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

[5] Investments: (continued)

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.

[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 2021 or 2020 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. At June 30, 2021, the Organization's capitalized website costs were presented net of amortization and included in property and equipment.

[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's 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.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

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

[9] Collections: (continued)

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 ending June 30, 2021. The Society's collections are insured for a total value of \$10,000.

[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 year 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, 2021 and 2020, the deferred rent obligation was approximately \$419 and \$404, respectively.

[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, 2021 and 2020, 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, 2021 and 2020

(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 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). During fiscal-year 2021, the Library suspended the practice of charging fines and will revisit this policy during fiscal-year 2022.

(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.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

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

[17] Adoption of accounting pronouncement:

In March 2019, the FASB issued Accounting Standards Update (“ASU”) No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, to align the definition of collections with the American Alliance of Museums’ Code of Ethics for Museums, thereby changing the types of collections that are eligible to not be reported as assets in the statements of financial position. The ASU modifies the definition of the term collections by expanding the acceptable uses of the proceeds of sales of collection items so that the proceeds can be used to support the direct care of existing collections, in addition to the current requirement that proceeds be used to acquire other items for collections. The standard should be applied on the prospective basis. It is effective for fiscal-years beginning after December 15, 2019, accordingly, the Organization adopted the standard for the fiscal year ending June 30, 2021, and this accounting guidance did not have a material effect on the Organization’s consolidated financial statements on a prospective basis.

[18] Upcoming accounting pronouncements:

(i) *Leases:*

In February 2016, the FASB issued ASU No. 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 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].

(ii) *Accounting Updates to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets:*

In September 2020, the FASB issued ASU No. 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 will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021.

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Notes to Consolidated Financial Statements

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(in thousands)

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

[19] Subsequent events:

The Organization evaluated subsequent events through September 14, 2021, the date on which the consolidated financial statements were available to be issued.

NOTE B - RECEIVABLES

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

	June 30,	
	<u>2021</u>	<u>2020</u>
Appropriations and grants - State of New York	\$ 4,483	\$ 5,108
Appropriations and grants - The City of New York	<u>8,283</u>	<u>14,581</u>
Total appropriations and grants	<u>12,766</u>	<u>19,689</u>
Contributions receivables: less than one year	2,569	2,896
Contributions receivables: one to five years	<u>467</u>	<u>144</u>
	3,036	3,040
Less: discount to present value (at a discount rate ranging from 0.66%- 1.45%)	(8)	(1)
Less: allowance for doubtful accounts	<u>(47)</u>	<u>(13)</u>
Total net contribution receivables	2,981	3,026
Purchase discount reimbursement contributions receivable	260	583
Employee retention credit receivables	-	1,966
Other receivables, net of allowance for doubtful accounts of \$4 and \$26 in 2021 and 2020, respectively	<u>382</u>	<u>617</u>
	<u>\$ 16,389</u>	<u>\$ 25,881</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.

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Notes to Consolidated Financial Statements

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(in thousands)

NOTE B - RECEIVABLES (CONTINUED)

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 2021 and fiscal-year 2020). 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 \$521 and \$481 for fiscal years 2021 and 2020, respectively.

NOTE C - INVESTMENTS

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

	June 30,	
	2021	2020
Stocks/mutual funds:		
U.S. equity securities	\$ 18,672	\$ 17,948
International equity securities from developed markets	7,017	12,660
Emerging market equity securities	-	200
Multi-market funds	12,652	-
Fixed income funds	14,834	10,325
Hedge fund	-	1,278
	<u>\$ 53,175</u>	<u>\$ 42,411</u>

Investment income for each fiscal year consisted of the following:

	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>

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

NOTE C - INVESTMENTS (CONTINUED)

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest (net of investment expenses of \$227)	\$ 1,006	\$ 99	\$ 1,105
Net realized gains on sale of investments	72	7	79
Net unrealized losses on investments	<u>(363)</u>	<u>(46)</u>	<u>(409)</u>
Investment earnings, net	715	60	775
Less: Investment earnings designated for current operations	<u>(1,871)</u>	<u>(196)</u>	<u>(2,067)</u>
Investment losses not designated for current operations, net	<u>\$ (1,156)</u>	<u>\$ (136)</u>	<u>\$ (1,292)</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:

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 hedge fund was valued using NAV per share (or its equivalent unit) as a practical expedient of fair value. This applies to investments which: (i) do not have a readily determinable fair value; and (ii) the consolidated financial statements of which were prepared by the respective investment manager, in a manner consistent with the measurement principles of either an investment company or an entity which has the attributes of an investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair value hierarchy and, accordingly, have been excluded from the fair-value hierarchy.

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.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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:

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

	June 30, 2020		
	Amounts Within the Fair-Value Hierarchy		
	Level 1	Measured at NAV	Total
Stocks/mutual funds:			
U.S. equity securities	\$ 17,948	\$ -	\$ 17,948
International equity securities from developed markets	12,660	-	12,660
Emerging markets equity securities	200	-	200
Fixed income funds	10,325	-	10,325
Hedge fund	<u>-</u>	<u>1,278</u>	<u>1,278</u>
Total	<u>\$ 41,133</u>	<u>\$ 1,278</u>	<u>\$ 42,411</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 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.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

NOTE D - PROPERTY AND EQUIPMENT (CONTINUED)

In fiscal years 2021 and 2020, The City of New York paid approximately \$31,818 and \$10,706, respectively, for capital appropriations relating to renovations of City-owned branches. During the previous ten fiscal years 2011 to 2020, The City of New York contributed approximately \$215,814 for branch capital-improvement expenses. The City of New York's total commitment as of June 30, 2021, to branch capital improvement, is approximately \$315,876 over the next five fiscal years.

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

	June 30,	
	2021	2020
Land	\$ 33	\$ -
Furniture and fixtures, and others	15,760	15,484
Building	1,797	-
Building improvements	24,814	-
Leasehold improvements	41,487	32,380
Computer equipment	<u>4,730</u>	<u>5,064</u>
	88,621	52,928
Less: accumulated depreciation and amortization	<u>(33,623)</u>	<u>(20,582)</u>
	54,998	32,346
Construction-in-progress	<u>36,810</u>	<u>26,291</u>
	<u>\$ 91,808</u>	<u>\$ 58,637</u>

During fiscal-years 2021 and 2020, the Organization wrote off approximately \$2,240 and \$1,720, respectively, of fully-depreciated computer equipment and furniture and fixtures that were no longer in use. In addition, the Organization disposed of furniture and fixtures, equipment and leasehold improvements in the amounts of approximately \$730 and \$1,046, respectively, which resulted in a loss on disposal of approximately \$477 and \$665.

NOTE E- DEFERRED REVENUE

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

	June 30,	
	2021	2020
Deferred revenue, beginning year	\$ 123	\$ 217
Revenue recognized that was included in the deferred at the beginning of the year	-	(94)
Increase in deferred revenue due to cash received during the period	<u>26</u>	<u>-</u>
Deferred revenue, end of year	<u>\$ 149</u>	<u>\$ 123</u>

There were no other significant contract liabilities or assets at June 30, 2021 or 2020.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020, funds received in advance were approximately \$6,940 and \$6,255, 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 \$5,668 and \$6,906 for fiscal years 2021 and 2020, 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 \$11,291 and \$11,611 as of June 30, 2021 and 2020, 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 2.65% per annum (2.50% per annum in fiscal-year 2020); (ii) a salary increase rate of 3.10% per annum for union employees and 3.50% for non-union employees for both fiscal-years 2021 and 2020; and (iii) withdrawal rates ranging from 9.50% at age 20 to 3.70% at age 55 for both fiscal years 2021 and 2020, with a retirement age of 65 in both fiscal years 2021 and 2020. 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.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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>2021</u>	<u>2020</u>
Purpose restricted:		
Operating:		
Library materials acquisitions*	\$ 332	\$ 211
Branch library support	2,105	1,545
Special programs and other:		
Central Library Information Commons	224	99
Child's Place	39	22
Plaza and auditorium	406	268
Summer reading	84	31
Center for Brooklyn History	55	-
Summer Camp	454	462
Artist in residence	18	18
Other*	<u>5,015</u>	<u>4,174</u>
	8,732	6,830
Non-operating:		
Brooklyn Historical Society	15,453	-
Capital projects (see Note L[8])	<u>20,016</u>	<u>24,167</u>
Restricted for time and purpose	<u>44,201</u>	<u>30,997</u>
Perpetual in nature	<u>2,859</u>	<u>2,733</u>
	<u>\$ 47,060</u>	<u>\$ 33,730</u>

* Collectively, these categories include accumulated endowment income of \$2,110 and \$1,244, as of June 30, 2021 and 2020, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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,	
	2021	2020
Operating:		
Library materials acquisitions	\$ 77	\$ 163
Branch library support	315	209
Special programs and other:		
Central Library Information Commons	30	29
Child's Place	1	3
Plaza and auditorium	69	64
Summer reading	22	61
Center for Brooklyn History	235	-
Summer Camp	8	151
Artist in residence	-	113
Other	<u>2,765</u>	<u>1,881</u>
	3,522	2,674
Non-operating:		
Greenpoint capital expenditure	4,800	-
Brooklyn Historical Society	245	-
Capital grant expenditures	<u>10,265</u>	<u>18,009</u>
	<u>\$ 18,832</u>	<u>\$ 20,683</u>

NOTE J - ENDOWMENT

[1] The endowment:

The endowment consists of 50 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, 2021 and 2020
(in thousands)

NOTE J - ENDOWMENT (CONTINUED)

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

	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	45	110	155
	<u>\$ 2,110</u>	<u>\$ 2,859</u>	<u>\$ 4,969</u>
Total funds			

	June 30, 2020		
	With Donor Restrictions		
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	Total
Donor-restricted endowment funds:			
Adult Literacy Program	\$ (2)	\$ 127	\$ 125
Books	151	301	452
Branch Humanities	336	458	794
Central Library Information Commons	70	500	570
Staff Welfare	57	112	169
Plaza and Auditorium Programming	176	310	486
Youth and Children Programming	398	766	1,164
Willendorf Lecture Series	31	50	81
Others – undesignated	27	109	136
	<u>\$ 1,244</u>	<u>\$ 2,733</u>	<u>\$ 3,977</u>
Total funds			

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, 2021 and 2020 (in thousands)

NOTE J - ENDOWMENT (CONTINUED)

[4] Changes in endowment net assets in each of the fiscal-years ended:

	June 30, 2021		
	With Donor Restrictions		Total
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	
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>

	June 30, 2020		
	With Donor Restrictions		Total
	Amounts Subject to Appropriation	Amounts Held in Perpetuity	
Endowment net assets, beginning of year	\$ 1,380	\$ 2,706	\$ 4,086
Dividends and interest, net	100	-	100
Net realized and unrealized depreciation	(40)	-	(40)
Contributions	-	27	27
Appropriation of endowment assets for expenditures	<u>(196)</u>	<u>-</u>	<u>(196)</u>
Endowment net assets, end of year	<u>\$ 1,244</u>	<u>\$ 2,733</u>	<u>\$ 3,977</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, 2021 and 2020
 (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 2021. Amounts totaling approximately \$11 were spent from the underwater funds during 2020 fiscal year.

The Society has a policy of appropriating for distribution each period an amount equal to the investment earnings and realized and unrealized gains and losses earned on its invested fund.

[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, 2020, there were three funds underwater. The original donated and fair market value of the three funds were approximately \$256 and \$252, respectively, and accordingly they were underwater by \$4 as of June 30, 2020.

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:

	Year Ended	
	June 30,	
	2021	2020
Estimated rental value of properties	\$ 27,854	\$ 31,550
Heat, light and power	2,239	2,287
	<u>\$ 30,093</u>	<u>\$ 33,837</u>

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

NOTE K - NON-CASH CONTRIBUTIONS (CONTINUED)

[2] Contributed goods and services:

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

	Year Ended	
	June 30,	
	2021	2020
Public service announcements	\$ 406	\$ 240
Contributed legal services	<u>85</u>	<u>771</u>
	<u>\$ 491</u>	<u>\$ 1,011</u>

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 2021 and 2020 amounted to \$9,744 and \$9,532, 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, 2021 and 2020. 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 2021 and 2020 amounted to \$196 and \$194, 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 \$2,970 and \$3,406 in fiscal years 2021 and 2020, respectively.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

NOTE L - COMMITMENTS, CONTINGENCIES AND UNCERTAINTY (CONTINUED)

[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 \$1,692 and \$1,281 in fiscal years 2021 and 2020, 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.

Aggregate future minimum lease payments under non-cancelable operating leases that have remaining terms in excess of one year as of June 30, 2021, are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 1,503
2023	1,527
2024	1,513
2025	953
2026	374
Thereafter	<u>8,958</u>
	<u>\$ 14,828</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.

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Notes to Consolidated Financial Statements

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(in thousands)

NOTE L - COMMITMENTS, CONTINGENCIES AND UNCERTAINTY (CONTINUED)

[6] BookOps: (continued)

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 \$3,109 and \$3,900 for fiscal years 2021 and 2020, respectively, and are included in professional fees and contract service payments in the consolidated statements of functional expenses.

[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 and \$3,000 at June 30, 2021 and 2020, respectively.

(ii) Adams Street:

As part of the disposition agreement of the old Brooklyn Heights Branch, the Organization made a commitment to the New York City Council to open a new branch that would coincide with the opening of the new Brooklyn Heights Branch. In furtherance to this commitment, the Organization entered into a construction management agreement on September 3, 2020, agreement with Shawmut Design and Construction for the construction and development of its Adams Street Branch Library, the new branch. Shawmut ("Shawmut") shall be paid a contract sum equals to all subcontract costs, general conditions costs, subject to a maximum amount of \$331, insurance costs at 1.95% of the cost of the work, and a fixed Construction Manager's fee of 2.5% of the cost of the work. As of June 30, 2021, the amount included in construction in progress for this project was approximately \$2,865.

(iii) Brooklyn Heights:

In fiscal year 2017, the Organization entered into a Memorandum of Understanding with The City of New York, and the NYCEDC for a joint construction project. The City disposed of one of its building (which was previously occupied by the Brooklyn Heights Branch Library) and received proceeds in the amount of \$52,000. The Organization received \$22,000 of the proceeds directly for the construction of eligible projects, including a new Brooklyn Heights Branch. The remaining \$30,000 will be appropriated to the Organization as capital funds from the City. The property will be developed into a condominium.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(in thousands)

NOTE L- COMMITMENTS, CONTINGENCIES AND UNCERTAINTY (CONTINUED)

[8] Construction related to grants: (continued)

(iii) Brooklyn Heights: (continued)

At the completion of the development, a condominium unit will be transferred to the City for use by the Organization as the new Brooklyn Heights Branch Library. In conjunction with retrofitting the space, the Organization entered into an agreement with Marvel Architect, PLLC for the design of a new Brooklyn Heights Branch Library facility in the amount of \$941. In February 2020, the Organization further entered into a "cost-plus" construction management contract with Benchmark Builders, LLC ("Benchmark") to fit out the new Brooklyn Heights branch. Benchmark shall be paid a contract sum equals to all subcontract costs, general conditions costs, insurance costs at 1.75% of the cost of the work, and a fixed Construction Manager's fee of 5.5% of the subcontract costs. At June 30, 2021 and 2020, the amount included in construction in progress was approximately \$19,330 and \$9,200, respectively.

(iv) Central Library renovation:

On June 17, 2019, the Organization entered into a capital grant agreement with The City of New York for an amount not to exceed \$35,000 for the Phase One renovation of the Central Library facility. The agreement requires the Organization to maintain a project reserve of at least \$3,500, through substantial completion of the renovation, for the purpose of funding any cost overruns relating to the project. In fiscal year 2017, the Organization entered into a "cost-plus" construction management contract with Gilbane Building Company ("Gilbane") for the Phase One renovation of the Central Library facility. At June 30, 2021 and 2020, the amount included in construction-in-progress was approximately \$4,589 and \$1,033, respectively.

(v) 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, 2021, the amount included in construction in progress for the project was approximately \$1,805.

(vi) 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, 2021, the amount included in construction in progress was approximately \$1,909.

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Notes to Consolidated Financial Statements

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(in thousands)

NOTE L- COMMITMENTS, CONTINGENCIES AND UNCERTAINTY (CONTINUED)

[9] COVID-19:

On March 16, 2020, the Organization closed its buildings in response to the shelter-in-place State-mandated order in New York due to COVID-19. Over the reporting period, the Library worked to reinstate its core public services after its temporary closure. In Summer 2020, the Library began offering lobby service that allowed patrons to borrow materials from branches while maintaining strict social distancing protocols. By summer 2021, the Library reopened all of its locations to be public for browsing and computer sessions. The extent of the impact of the Covid-19 pandemic on the operational and financial performance of the Organization's services will depend on the nature of the pandemic going forward and the public health response by government officials, including the duration and spread of the outbreak, restrictions, and the effectiveness of vaccines. Many of these factors are highly uncertain and cannot be easily predicted.

However, all of the Organization's locations have since reopened to the public, with some programs being offered at a reduced level or virtually. Thus, although the duration and ongoing financial impact cannot be reasonably estimated, the Organization has taken measures to minimize the effect on its operations.

In response to the pandemic, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provided for an Employee Retention Credit as a refundable tax credit against certain employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. Eligible employers can get immediate access to the credit by reducing employment tax deposits they are otherwise required to make. For each employee, wages (including certain health plan costs) up to \$10 can be counted to determine the amount of the 50% credit. Employers are eligible for the credit if they operate a business during the calendar 2020 that experienced a full or partial suspension of their operations during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or a significant decline in gross receipts. The Organization did not receive any employee retention credit as of June 30, 2021. The Organization received approximately \$3,870 in employee retention income as of June 30, 2020.

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. As of June 30, 2021, the outstanding balance of these loans are \$1,456.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

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(in thousands)

NOTE M - LONG-TERM DEBT (CONTINUED)

The Organization is required to comply with certain financial covenants and ratios (1.05:1.0), as defined, throughout the term of the loan. The loan agreements are secured by a first mortgage on the building, the assignment of all present and future lease and rents, and UCC-1 filing covering fixtures and furnishings.

	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Amounts</u>
Bank of America term loan	4.38%	2027	\$ 1,176
Bank of America term loan II	5.16%	2027	<u>280</u>
			1,456
Less: unamortized debt-issuance costs			<u>(31)</u>
			<u>\$ 1,425</u>

The required principal payments on the long-term debt, in each of the five fiscal years subsequent to June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 43
2023	45
2024	47
2025	49
2026	52
Thereafter	<u>1,220</u>
	<u>\$ 1,456</u>

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. 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, 2021. During the 2021 fiscal year, the Organization drew \$14,890 from the line-of-credit and made principal payments of \$16,034, resulting in an outstanding balance of \$3,220 and \$4,364, as of June 30, 2021 and 2020, 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%. As of June 30, 2021, the Organization has drawn down \$225, which remains outstanding.

BROOKLYN PUBLIC LIBRARY

Notes to Consolidated Financial Statements

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(in thousands)

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's management believes that the Organization is not exposed to any significant risk of loss due to the possible failure of these financial institutions.

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 of June 30, 2021, because of contractual or donor-imposed restrictions or internal designations.

Accordingly, the Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

	Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents and restricted cash	\$ 46,441	\$ 46,941
Contribution, grants and other receivable, net	16,389	25,881
Investments	<u>53,175</u>	<u>42,411</u>
Total financial assets available within one year	<u>116,005</u>	<u>115,233</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted cash	(107)	(107)
Restrictions by donors for purpose and/or time	(44,201)	(30,997)
Restricted by donors in perpetuity	<u>(2,859)</u>	<u>(2,733)</u>
Total amounts unavailable for general expenditure within one year	<u>(47,167)</u>	<u>(33,837)</u>
Amounts unavailable to management without Board approval:		
Board-designated for building renovation	(4,430)	(5,830)
Board-designated for use in future fiscal years	<u>(10,708)</u>	<u>(4,839)</u>
	<u>(15,138)</u>	<u>(10,669)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 53,700</u>	<u>\$ 70,727</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.