

**TRUSTEES OF THE
PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Trustees of the
Public Library of the City of Boston
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Trustees of the Public Library of the City of Boston (the Library), a component unit of the City of Boston, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fund for the Boston Public Library (Fund for BPL), which is the sole discretely presented component unit in these financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fund for BPL, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Library, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 3 through 16) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2020, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
September 3, 2020

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of the Trustees of the Public Library of the City of Boston (the Library), we offer readers of these financial statements this narrative overview and analysis of the Library's financial activities for the fiscal year that ended on June 30, 2020.

Background of the Boston Public Library

The Boston Public Library is an extraordinary institution that has served the citizens of Boston since 1848. Founded as the first municipal library and the first public library to lend books, the Boston Public Library is dedicated to the advancement of learning and is "Free to All," as is carved in the façade of the historic McKim building at the Central Library in Copley Square.

The BPL is made up of the Central Library, 25 vibrant neighborhood branches, a robust web site, and learning and enrichment opportunities for all ages. The Library's collection of more than 23 million items includes circulating books, eBooks, DVDs and CDs, as well as research and special collections that include rare books and manuscripts, prints, photographs, drawings, maps, posters, and more. The Boston Public Library's Kirstein Business Library and Innovation Center, the Norman B. Leventhal Map and Education Center, and collections of distinction such as the personal library of John Adams, the Anti-Slavery Manuscripts collection, the Thomas Pennant Barton Collections of Shakespeare, and the Boston Pictorial Archive attract researchers and scholars from across the city and around the world.

In Fiscal Year 2020, the Boston Public Library hosted 7,953 public programs reaching 401,829 people, received 6,799,717 visits to its web site, and lent 5,118,587 items. Of the items borrowed, nearly 3,131,867 were digital downloads, comprised of 929,368 audiobooks, 640,583 streaming media and 1,561,916 eBooks. In the same fiscal year, the BPL helped 97,364 Massachusetts residents -- including adults, children, and teens -- sign up for new library cards, hosted 309,817 free computer sessions, enabled 292,633 free wireless internet connections, and hosted more than 2,394,502 million in person visits.

FY20 Major Accomplishments

Core Services and Robust Demand

The BPL continues to see increasing demand for our services and collections. In a rapidly-changing world, public libraries across the nation see more patrons coming through their doors (in person or virtually), signing up for services, and utilizing the library's resources. Below are some illustrative data points about the robustness of Library usage:

Although physical materials circulation has declined slightly, it remains robust, and has been mitigated by a corresponding increase in digital circulation, especially spurred by the increased demands of the COVID-19 pandemic. It is notable that 2020 will be the first year in BPL's history that digital circulation will surpass physical circulation, a trend line that was already measurable pre-covid.

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Physical circulation:

2016 3.6 million
2017 3.3 million
2018 3.0 million
2019 2.8 million
2020 1.9 million

Digital circulation:

2016 1.3 million
2017 1.6 million
2018 1.8 million
2019 2.2 million
2020 3.1 million

In-person visits

Although digital lending is increasing rapidly, prior to the Library's closure in March 2020, patrons still found extraordinary value in coming to the library to spend time. As the original co-working space, the BPL is well positioned to serve as a "third space" in this time of changing work patterns and COVID-19 recovery.

In addition, the Library is in the midst of a robust capital improvement period. Data show that every time a library space is renovated or improved, there is a marked increase in traffic following its reopening. For example, after the reopening of the Central Library's Johnson Building, visits increased by as much as 40 percent. We anticipate that, as we return to public service, this trend will continue.

Visitors to the Library

2016 3.5 million
2017 3.8 million
2018 3.5 million
2019 3.5 million
2020 2.3 million

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New library cards issued

2016 74,737

2017 82,911

2018 85,902

2019 93,994

2020 97,364

Improving neighborhood presence and services through purposeful capital projects

We are grateful to Mayor Walsh for his most recent 5-year, \$140 million commitment to Boston Public Library system improvements. When completed, every branch in the system will have received meaningful improvements, if not a complete renovation. FY20 was a particularly busy year for capital improvements, with significant progress made on many critical projects system-wide that will substantially improve our ability to deliver services.

Note: A full list of projects recently completed and currently underway is provided later in this document.

Increased service to underserved + vulnerable communities

Our Library Services Division focused on underserved populations and vulnerable communities, including immigrants and ESL communities; the under-employed; seniors; returning citizens; and veterans by creating a new **Community Learning Department** focused on adult learning in these populations.

The Library continues its **partnership with Pine Street Inn**, which will now engage two Outreach Navigators who support the homeless community within the Central Library and in Copley Square, with plans to expand to branches. New this year were the establishment of open office hours, where the housing insecure can find support, including housing counseling and recovery services; and the addition of two Social work interns through a three-way partnership with Simmons University's School of Social Work.

Regular outreach visits by our **Health and Human Services Librarian** to Pine St. Inn, Women's Lunch Place, Victory Programs, and Black Seed Writer's Group have connected many in vulnerable communities to library collections and services.

In FY20, the Library continued serving adult learners with technology through the **Tech Goes Home** program, which enables participants who complete a certain number of hours of training to purchase a new Chromebook for just \$50. This program graduated eleven individuals in the first half of the fiscal year and is planned to extend to the small business community in FY21.

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We have expanded **Literacy Classes and Conversation Circles for ESL Learners**, which have grown in attendance, and have added creative writing classes and a chorus for ESL students. Resume and cover letter clinics, and one-on-one assistance has grown as serving the unemployed and underemployed remains a major focus of our work, leveraging both the resources of the Kirstein Business Library and innovation Center, and the Community Learning department. In addition, Literacy Services partnered with St. Mark's Church in Dorchester to offer both in-person and virtual Citizenship classes for adults studying and preparing to take the Citizenship exam.

During the onset of the recent pandemic and public health crisis, the **Community Learning Team** pivoted to online services very quickly and continued to reach out to vulnerable communities with direct outreach where possible. For example, they rolled out the Distance Learning Program for Tech Goes Home; eligible participants can now receive a Google Chromebook for free as well as options for free internet access in exchange for completing 18 hours of online learning in virtual classes via Zoom.

First All-Staff meeting: Building culture and setting a course

With the support of the City of Boston and the Library's Board of Trustees, on November 15th, the Boston Public Library held its first ever All-Staff meeting at the Central Library in Copley Square.

As the Library had been through significant change in the past several years, including the re-opening of the Johnson building, changes in leadership, and updates to many of our operational departments and procedures, this was an ideal time to reflect together on our mission, purpose, priorities and future initiatives.

At the meeting, we began important professional development work, focused on our patrons and organizational culture, and rolled out an update to the Library's roadmap for work over the next several years.

The meeting was a positive experience for Library staff, allowing many people the opportunity to connect with colleagues across the system.

Follow ups to the meeting and the rollout of the new roadmap will continue through FY21 and beyond.

Response to Covid-19

Once closed, the Library immediately began to pivot, expanding online collections and moving as many programs and services online as possible. Within approximately one week, the vast majority of the 450 staff members had received outreach from management, been assigned work where possible, and been provided with appropriate technology to do their work from home.

As a response to Covid-19, the Library has aligned itself with the City's focus on vulnerable populations and children, and has focused its work in four key areas:

- Bringing new in-person programs online
- Expanding online content available to patrons
- Where possible and necessary, providing new physical books to those most in need
- Ensuring the safety of our physical spaces

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Examples of this work include:

- The BPL **Facilities Department and Security Team** played a critical role in the library's response to the crisis, both before and after the closure of physical spaces to the public. Management worked closely with the Boston Office of Health and Human Services, Boston Public Health Commission, and the City's Office of Emergency Management to ensure that we were following best practices related to cleaning and responding to incidents. Custodians modified cleaning protocols and increased the frequency of cleaning to protect the staff and public.

Staff deployed barriers, signage and equipment to promote social distancing and good hygiene. Administrative staff worked with multiple vendors to ensure that we had all of the necessary supplies and equipment. We were able to work with our Security vendor and modify our security contract to assist in the standing up of two COB treatment and isolation facilities for homeless residents dealing with COVID 19.

After the closure we shared supplies and equipment with multiple City departments to fill gaps in their inventory. Security staff have managed building access and protected assets throughout the crisis. Security staff have worked closely with partners from Pine Street Inn to ensure that homeless patrons sleeping or spending time on the campus are connected with appropriate resources.

- **Books For Boston** The Boston Public Library led an initiative to deliver new children's and adult books, curated and purchased by the Library, safely to a variety of non-profit organizations serving individuals in the City of Boston who are at especially high-risk during this pandemic. This initiative provided brand new books for communities at risk, including those dealing with homelessness, seniors, those living in shelters, and youth & families. By working with independent bookstores, the Library was also able to support small businesses. We purchased over \$105,200 worth of books and distributed over 11,200 volumes to 22 organizations, including Boston Hope - the supplemental Medical Center in the Boston Convention & Exhibition Center, Pine Street Inn at Suffolk University, The Kennedy Center, St. Joseph's Rehabilitation and Nursing Center, Women's Lunch Place and more.
- The Library continues to support **youth & families** by:
 - Scheduling a slate of up to 12 virtual story times per week, and our Children's Librarians also initiated the 'Creative Challenge of the Week.' Every Wednesday, they engage families through Facebook. The program was recently featured in the Boston Globe.
 - Engaging with teens through a Twitch channel twice a week.
 - Creating twice monthly book talks for an alternative school pilot we already work with.
 - Connecting with the Snowden School in offering school virtual visits monthly
 - Bringing in bestselling author of teen books, Laurie Stolarz, to two schools
 - Enhancing our ability to provide online Homework Help

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- **New innovative supports** include:
 - Phone and e-mail services are available for reference questions, basic technical assistance, resume and cover letter assistance, legal assistance, and support for small businesses.
 - Offering concerts, author appearances, and yoga online.
 - Book discussions and book talks are being held virtually.
 - Our Beginning and Intermediate literacy classes and English Conversation Circles have transitioned online and are seeing upwards of 30 – 40 participants per class.

- **Expanding Online Collections:** The BPL offers several hundred thousand eBooks, audiobooks, movies, TV shows, and music through downloadable and streaming media services. In the first month after the library closed to the public, an additional 12,000 eBooks and audiobooks were added to the collection to provide new content and reduce wait times for popular titles. Staff create new book lists regularly and provide personalized recommendations to people looking for something to read, including the new “Shelf Service: Live,” through which patrons can receive book recommendations via Twitter.

- **Program Partners:** The library has continued to pay and work with external partners, both individuals and organizations, through the fiscal year, as we migrate to online service delivery.

Multi-year Projects and Investments

Restructuring of Facilities Department

Last year, the Library restructured the Facilities Department, and filled the final vacant management position in FY20. With the department now staffed close to capacity, the Library will embark on a review of all service models, staffing levels, practices and procedures. The ultimate goal will be to modernize the organization’s approach to facilities management, with full utilization of the latest tools, technology, and methodology in the profession.

With the open positions being filled and the new FY21 facilities-related position requests approved, the BPL will realize its goals for excellence in the maintenance, cleanliness, efficiency, and sustainability of all of our buildings and assets.

Restructuring of Special Collections Department

The Special Collections Restructuring began in 2017 with a focus on building the necessary staffing and expertise needed to provide stewardship to the Library’s vast and renowned special collections.

In 2019, the Library completed negotiations with both unions and hired staff in significant positions, including Stacks Coordinator, Manager of the Arts, Manager of Rare Books and Manuscripts, and Lead Archivist.

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Completion of Special Collections Inventories

The inventory of the BPL's print collection began in July 2015 and completed three years later at the end of June 2018. A separate project, the inventory and digitization of the photograph collection, began in July 2017 and ended in December 2019. The combined inventories accounted for more than 350,000 items.

These two inventory projects produced item-by-item listings of the works in the collection with specific shelf locations -- a critical level of access and control that was never previously available.

The data collected for the inventory forms the basis for future cataloging records, is structured to be readily exported to a more robust data management system and provides staff access to items awaiting further cataloging. In addition, more than 20,000 digitized prints from the collection are now available online through the Library's Digital Commonwealth program.

Continuation and Completion of Capital Projects

Adams Street

Started construction of a new branch building in August 2019

Chinatown

Began test fit study for Boston Planning and Development Agency's Parcel P12 January 2020

Roxbury (formerly Dudley)

In construction; substantial completion achieved March 2020

Faneuil

Started design phase of a renovation and addition to the branch in Summer 2019

Fields Corner

Completed programming study January 2020

Hyde Park

Waterproofing project started design Fall 2019

Johnson Building

Started construction of new roof for the Johnson building at the Central Library December 2019

Johnson Building

Started design of a new locker room, January 2020

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McKim Building

Started design for repair of courtyard fountain, Fall 2019

Rare Books

Started construction August 2019

Roslindale

Completed design Summer 2019; construction started December 2019

South Boston

Completed construction of courtyard redesign September 2019

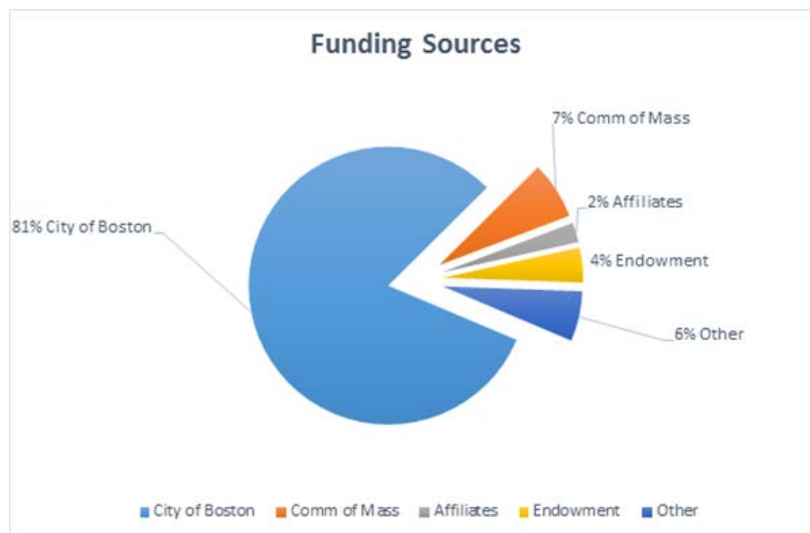
South End

Completed refresh of branch in February 2020

Uphams Corner

Completed programming study in January 2020

Budget Information



In FY20, the BPL received approximately 88% of its total operating budget from governmental sources. The majority of this – 81% or \$40.5m – is provided by the City of Boston. [Note: revenue to the BPL from the City is included in the City’s audited financial statements, not the BPL’s audited financial statements].

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Operating Budget Expenditures

The BPL's largest expenditures area is personnel; approximately 62% of the entire operating budget supports over 400 full-time employees and dozens of part-time employees system-wide. Facility and utility costs for BPL buildings, including the 930,000 square foot Central Library, account for 14%. The materials (books, CDs, DVDs) and program budgets compose 10% of the total budget. The balance of expenditures is dedicated to various service and maintenance contracts, licensing, memberships, training and staff development, information and technology and other costs.

LIBRARY GOVERNANCE

The Library is governed by a board of trustees which is appointed by the Mayor of the City of Boston. The BPL also conducts business as a department of the City of Boston and the financial records of these operations are included in the City of Boston's financial report.

FINANCIAL HIGHLIGHTS

The following sections of the management's discussion and analysis pertain only to the Trustees' separate Section 501(c)(3) organization as reported in these financial statements.

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$78,606,188 (net position)
- The Library's total net position increased \$112,104
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,341,890, or 20.2% of total general fund expenditures and transfers out

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

The components are described as follows:

Government-Wide Financial Statements

One of the most important questions asked about the Library's finances is, "is the Library as a whole, better or worse off, as a result of the year's activities?" The government-wide financial statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector business. They present both short and long-term information about the Library's financial position, which assists in assessing the Library's economic condition at the end of the fiscal year.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include two statements:

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Government-Wide Financial Statements (Continued)

The **statement of net position** includes all assets and liabilities of the Library, with the difference between the two reported as "net position." Over time, increases or decreases in the Library's net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The **statement of activities** presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows.

Both of the above financial statements have separate sections for the two different types of Library programs or activities. These two types of activities are:

Primary Government – The activities in this section are mostly supported by governmental appropriations, contributions, grants, and fees for services. Most services normally associated with the Library fall into this category, including certain Library staff salaries and benefits, library material purchases, programs, contractual services and utilities, equipment and furnishings costs, and other administrative costs.

Discretely Presented Component Unit – The Library's discretely presented component unit is the Fund for the Boston Public Library (Fund for BPL). Although legally separate, the Fund for BPL is financially interrelated to the Library. For the most part, the Fund for BPL operates similar to a private sector business and its functions are intended to recover all of its operating costs as part of its mission to raise funds for the Library. Complete financial statements of the Fund for BPL can be obtained from its administrative office. Additional information about the Library's component unit is presented in the notes to the financial statements.

In addition to examining the above statements, other nonfinancial factors need to be considered in assessing the Library's overall financial position, such as changes to the Library's collection, delivery of service, or condition of the Library buildings.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other governmental and nonprofit organizations, uses fund accounting to ensure and demonstrate compliance with finance or donor-related requirements.

The fund financial statements focus on the individual components of the Library's business, reporting the Library's operations in more detail than the government-wide financial statements.

The basic services provided by the Library are financed through governmental funds. Governmental funds are used to account for essentially the same functions as the governmental activities in the government-wide financial statements. However, unlike those statements, the fund-financial statements focus on near-term inflows and outflows of spendable resources; they also focus on spendable resources available at the end of the fiscal year.

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Fund Financial Statements (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Library's near-term activities.

The Library has three categories of governmental funds; the general fund, the Fund for BPL fund, and the nonmajor governmental funds. Each fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances.

The general fund is the primary operating fund of the Library and accounts for all financial resources except those required to be accounted for in another fund.

The Fund for BPL fund is used to account for and report all financial resources donated by the Fund for BPL restricted for the betterment of programming support and facility operations.

The nonmajor governmental funds consist of special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its constituents.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and the fund financial statements. The notes to the basic financial statements can be found immediately following the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis is based on the statement of net position and the statement of activities found on pages 17 and 18 of the basic financial statements.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Library's assets exceeded liabilities by \$78,606,188 at the close of the fiscal year and are summarized as follows:

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets	\$ 18,145,747	\$ 17,194,053
Noncurrent Assets, Excluding Capital Assets	61,633,620	63,043,121
Capital Assets, Net	84,019	148,945
Total Assets	79,863,386	80,386,119
LIABILITIES		
Current Liabilities	1,257,198	1,892,035
NET POSITION		
Net Investment in Capital Assets	84,019	148,945
Restricted	73,728,394	73,822,815
Unrestricted	4,793,775	4,522,324
Total Net Position	\$ 78,606,188	\$ 78,494,084

A portion of the Library's net position reflects its net investment in capital assets (e.g., buildings, equipment and machinery and furniture, fixtures and improvements). These capital assets are used to provide services to customers; consequently, these assets are not available for future spending.

A majority of the Library's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Library's ongoing obligations to customers and creditors.

At the end of the current fiscal year, the Library reports positive balances in all three categories of net position.

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Changes in Net Position

The Library's total net position increased by \$112,104 during the current fiscal year, summarized as follows:

	Governmental Activities	
	2020	2019
REVENUES		
Program Revenues:		
Charges for Services	\$ 2,361,871	\$ 3,297,042
Operating Grants and Contributions	6,386,504	7,657,918
General Revenues:		
Unrestricted Grants and Contributions	1,522,464	1,466,272
Unrestricted Investment Income	183,218	172,245
Total Revenues	10,454,057	12,593,477
EXPENSES		
Salaries and Benefits	3,296,965	2,352,406
Books and Related Materials	1,454,633	1,222,234
Programs	692,246	730,488
Administrative	1,605,194	1,768,048
Contractual Services and Utilities	1,948,397	2,618,057
Equipment, Furniture, and Maintenance	1,279,592	1,206,065
Unallocated Depreciation	64,926	77,606
Total Expenses	10,341,953	9,974,904
CHANGE IN NET POSITION	112,104	2,618,573
Net Position - Beginning of Year	78,494,084	75,875,511
NET POSITION - END OF YEAR	\$ 78,606,188	\$ 78,494,084

Governmental activities increased the Library's net position by \$112,104. In the prior year, governmental activities increased the Library's net position by \$2,618,573. The main cause of the change from the prior year relates to decreases in special event revenues as well as decreases in restricted investment income.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FUND FINANCIAL ANALYSIS

This analysis is based on the fund financial statements on pages 19 and 20.

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Highlights

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Library's financial requirements. Unassigned fund balances in particular may serve as a useful measure of an organization's financial position at the end of a fiscal year.

Nonspendable Fund Balance (Permanent Funds) – Nonspendable fund balance of permanent funds is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support Library programs. The fund balance for nonspendable permanent funds was approximately \$61,526,000 at June 30, 2020.

Restricted Fund Balance – Fund balances are reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, donors or laws or regulations of other governments or is imposed by law through constitutional provisions. Many items in this fund balance reflect gifts to the Library with specific restrictions as to their use. Restricted fund balance was approximately \$12,202,000 at year-end.

Committed Fund Balance – Committed fund balances include amounts that can be used only for specific purposes imposed by formal action of the board of trustees. These committed funds cannot be used for any purpose unless the board of trustees removes or changes the specified use. Committed fund balance was approximately \$38,000 at year-end.

Assigned Fund Balance – Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the board of trustees or a Library official delegated that authority by charter or ordinance. Assigned fund balance was approximately \$3,414,000 at year-end.

Unassigned Fund Balance – Unassigned fund balance is the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts. There was a balance of approximately \$1,342,000 in unassigned fund balance at the end of the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances for all of the Library's customers, donors, and other interested parties. This financial report seeks to demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, Boston Public Library, 700 Boylston Street, Boston, MA 02116.

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Component Unit - Fund for BPL
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,504,476	\$ 3,757,019
Restricted Cash and Cash Equivalents	14,505,127	137,333
Restricted Investments	-	1,601,600
Receivables, Net of Allowance for Uncollectible Amounts:		
Intergovernmental	798,121	-
Special Events	7,260	-
Departmental and Other	95,630	-
Pledges and Grants	-	892,000
Interest and Dividends	45,931	-
Due from City of Boston	39,375	-
Prepaid Expenses and Other Assets	149,827	9,826
Total Current Assets	18,145,747	6,397,778
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	4,213,225	-
Restricted Investments	57,420,395	-
Receivables, Net of Allowance for Uncollectible Amounts:		
Pledges and Grants	-	386,153
Capital Assets, Net of Accumulated Depreciation	84,019	16,978
Total Noncurrent Assets	61,717,639	403,131
Total Assets	79,863,386	6,800,909
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	502,514	56,260
Accrued Expenses	180,573	-
Advance Deposits	441,384	-
Due to City of Boston	132,727	-
Other Liabilities	-	90,000
Total Current Liabilities	1,257,198	146,260
Total Liabilities	1,257,198	146,260
NET POSITION		
Net Investment in Capital Assets	84,019	-
Restricted:		
Nonexpendable	61,526,120	-
Expendable	12,202,274	3,017,135
Unrestricted	4,793,775	3,637,514
Total Net Position	\$ 78,606,188	\$ 6,654,649

See accompanying Notes to Financial Statements.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Activities	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT				
Governmental Activities:				
Salaries and Benefits	\$ 3,296,965	\$ -	\$ 2,215,085	\$ (1,081,880)
Books and Related Materials	1,454,633	-	1,485,079	30,446
Programs	692,246	1,060,398	552,064	920,216
Administrative	1,605,194	1,183,924	718,530	297,260
Contractual Services and Utilities	1,948,397	-	1,175,225	(773,172)
Equipment, Furniture, and Maintenance	1,279,592	117,549	240,521	(921,522)
Unallocated Depreciation	64,926	-	-	(64,926)
	<u>\$ 10,341,953</u>	<u>\$ 2,361,871</u>	<u>\$ 6,386,504</u>	<u>\$ (1,593,578)</u>
COMPONENT UNIT				
Fund for BPL	<u>\$ 2,283,452</u>	<u>\$ -</u>	<u>\$ 1,695,464</u>	<u>\$ (587,988)</u>
			Primary Government	Component Unit
CHANGES IN NET POSITION				
Net (Expense) Revenue			\$ (1,593,578)	\$ (587,988)
GENERAL REVENUES				
Unrestricted Grants and Contributions			1,522,464	-
Unrestricted Investment Income			183,218	-
Total General Revenues			<u>1,705,682</u>	<u>-</u>
CHANGE IN NET POSITION			112,104	(587,988)
Net Position - Beginning of Year			<u>78,494,084</u>	<u>7,242,637</u>
NET POSITION - END OF YEAR			<u>\$ 78,606,188</u>	<u>\$ 6,654,649</u>

See accompanying Notes to Financial Statements.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

ASSETS	<u>General</u>	<u>Fund for BPL</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 2,504,476	\$ -	\$ -	\$ 2,504,476
Restricted Cash and Cash Equivalents	2,467,749	1,508,639	14,741,964	18,718,352
Restricted Investments	-	-	57,420,395	57,420,395
Receivables, Net of Allowance for Uncollectible Amounts:				
Intergovernmental	723,121	-	75,000	798,121
Special Events	-	-	7,260	7,260
Departmental and Other	6,800	-	88,830	95,630
Interest and Dividends	-	-	45,931	45,931
Due from City of Boston	-	-	39,375	39,375
Prepaid Expenses and Other Assets	<u>136,637</u>	<u>13,190</u>	<u>-</u>	<u>149,827</u>
Total Assets	<u>\$ 5,838,783</u>	<u>\$ 1,521,829</u>	<u>\$ 72,418,755</u>	<u>\$ 79,779,367</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 275,437	\$ 23,431	\$ 203,646	\$ 502,514
Accrued Expenses	22,908	-	157,665	180,573
Advance Deposits	441,184	-	200	441,384
Due to City of Boston	<u>132,727</u>	<u>-</u>	<u>-</u>	<u>132,727</u>
Total Liabilities	872,256	23,431	361,511	1,257,198
FUND BALANCES				
Nonspendable:				
Perpetual Permanent Funds	-	-	61,526,120	61,526,120
Restricted:				
Expendable Permanent Funds	-	-	7,876,494	7,876,494
Fund for BPL Gifts	-	1,498,398	-	1,498,398
Associates Gifts	-	-	127,469	127,469
Map Center	-	-	51,796	51,796
Programs	200,313	-	-	200,313
Metro Boston Library Network	663,308	-	-	663,308
General Trust Holdings	126,075	-	-	126,075
General Trust	-	-	1,658,421	1,658,421
Committed:				
Neighborhood Outreach	38,234	-	-	38,234
Assigned:				
Information Technology Equipment	1,207,115	-	-	1,207,115
Deferrari Fund	-	-	816,944	816,944
Salaries	466,000	-	-	466,000
Furniture	251,391	-	-	251,391
Photo Duplication	239,338	-	-	239,338
Security	100,000	-	-	100,000
Neighborhood Outreach	59,583	-	-	59,583
Employee Training	30,398	-	-	30,398
Operating Fund	242,882	-	-	242,882
Unassigned	<u>1,341,890</u>	<u>-</u>	<u>-</u>	<u>1,341,890</u>
Total Fund Balances	<u>4,966,527</u>	<u>1,498,398</u>	<u>72,057,244</u>	<u>78,522,169</u>
Total Liabilities and Fund Balances	<u>\$ 5,838,783</u>	<u>\$ 1,521,829</u>	<u>\$ 72,418,755</u>	<u>\$ 79,779,367</u>

See accompanying Notes to Financial Statements.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020**

	General	Fund for BPL	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental	\$ 4,123,456	\$ -	\$ 220,516	\$ 4,343,972
Special Events	1,060,029	-	-	1,060,029
Fees for Services	677,907	-	103,692	781,599
Contributions and Gifts	38,511	960,590	925,752	1,924,853
Investment Income	192,533	-	2,151,071	2,343,604
Total Revenues	<u>6,092,436</u>	<u>960,590</u>	<u>3,401,031</u>	<u>10,454,057</u>
EXPENDITURES				
Salaries and Benefits	1,881,096	656,566	759,303	3,296,965
Books and Related Materials	797,273	45,137	612,223	1,454,633
Programs	217,857	146,425	327,964	692,246
Administrative	1,305,960	11,645	287,589	1,605,194
Contractual Services and Utilities	1,334,486	5,250	608,661	1,948,397
Equipment, Furniture, and Maintenance	1,081,518	1,926	196,148	1,279,592
Total Expenditures	<u>6,618,190</u>	<u>866,949</u>	<u>2,791,888</u>	<u>10,277,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(525,754)	93,641	609,143	177,030
OTHER FINANCING SOURCES (USES)				
Transfers In	765,524	-	2,561,657	3,327,181
Transfers Out	(14,100)	-	(3,313,081)	(3,327,181)
Total Other Financing Sources (Uses)	<u>751,424</u>	<u>-</u>	<u>(751,424)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	225,670	93,641	(142,281)	177,030
Fund Balances - Beginning of Year	<u>4,740,857</u>	<u>1,404,757</u>	<u>72,199,525</u>	<u>78,345,139</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,966,527</u>	<u>\$ 1,498,398</u>	<u>\$ 72,057,244</u>	<u>\$ 78,522,169</u>

See accompanying Notes to Financial Statements.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2020**

Total Governmental Fund Balances	\$ 78,522,169
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>84,019</u>
Net Position of Governmental Activities	<u><u>\$ 78,606,188</u></u>

See accompanying Notes to Financial Statements.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 177,030
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the related activity of the current period.</p>	
Depreciation	<u>(64,926)</u>
Changes in Net Position of Governmental Activities	<u><u>\$ 112,104</u></u>

See accompanying Notes to Financial Statements.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting Entity

The Trustees of the Public Library of the City of Boston (the Library), a nonprofit, educational corporation, was established in 1848 to benefit and facilitate the needs of the City of Boston's (the City) public library system. A board of trustees (the Trustees), which is appointed by the City's Mayor, governs the City's public library system. The majority of the Library's assets are held in trust in accordance with the conditions imposed by the donors. The principal of the trust funds is invested to generate income that, in turn, is used to serve the Library's needs that relate to the specific trust agreements. In addition, the Library receives significant support through state and federal government appropriations and private sources.

The Library is a Section 501(c)(3) organization, exempt from federal income taxes under Section 501(a) of the Internal Revenue Code. In addition, the Commonwealth of Massachusetts (the Commonwealth) has classified the Library as a nonprofit organization in nature, and, as such, it is exempt from payments of income taxes to the Commonwealth.

Separate and distinct from the Trustees' Section 501(c)(3) organization, operations of the Boston Public Library are also conducted as a department of the City. These financial statements only represent the operations of the Trustees' Section 501(c)(3) organization.

The Library is considered a component unit of the City for financial reporting purposes and it places substantial reliance upon the City to fund its daily operations. The City funds the majority of the Library's costs of operations. The City pays the Library employees' salaries; therefore, payroll liabilities and related costs of compensated absences are recorded on the City's government-wide financial statements.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions, and institutions that are not legally separate from the Library.

The Library has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Library are such that exclusion would cause the Library's basic financial statements to be misleading or incomplete.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit

The Fund for the Boston Public Library (Fund for BPL), a component unit of the Library, was formed on March 2, 1992, as a nonprofit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, to support the physical restoration and the enhancement of the public visibility of the Library. The Fund for BPL is legally separate from the Library, and the Library is not financially accountable for the Fund for BPL. The Fund for BPL has been included because of the nature and significance of its relationship with the Library. Complete financial statements can be obtained from the Fund for BPL's administrative offices in Boston, Massachusetts.

Related Organizations

The Norman B. Levanthal Map Center, Inc., the Associates of The Boston Public Library, the City-Wide Friends, and the Friends of Branch Libraries support library objectives and raise funds for the Library. Currently, the Library's accountability for these organizations does not extend beyond receiving their support.

Implementation of New Accounting Principles

For the year ended June 30, 2020, the Library implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; which postponed the implementation dates of certain GASB Statements.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all nonfiduciary activities of the primary government (the Library) and its discretely presented component unit. Governmental activities are primarily supported by contributions, intergovernmental revenues, and investment income.

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.

Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for certain claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Revenues are considered available if they are collected within 60 days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *Fund for BPL fund* is a special revenue fund used to account for and report all financial resources donated by the Fund for BPL restricted for the betterment of programming support and facility operations.

The *nonmajor governmental funds* consist of special revenue and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its constituents.

Cash and Investments

Government-Wide and Fund Financial Statements – Library

Cash and cash equivalents are considered to be cash on hand, demand deposits, money market mutual funds and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value; with the exception of money market mutual funds which are carried at amortized cost. Fair value is based on quotations from a national securities exchange except for pooled funds and alternative investments, for which fair value is determined as follows:

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

Government-Wide and Fund Financial Statements – Library (Continued)

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Core Bond Fund and Private Equity Funds

The core bond fund and private equity funds are recorded at fair value based on market values provided by investment firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

Component Unit Financial Statements – Fund for BPL

A hierarchy that prioritizes the inputs to valuation techniques used to measure fair value establishes a framework for measuring fair value. The Fund for BPL's assets measured at fair value as of June 30, 2020 are categorized as Level 1 in the fair value hierarchy. Level 1 assets represent valuation at unadjusted quoted prices for identical asset or liabilities in active markets that the Fund for BPL has the ability to access.

Common stock, corporate bonds, U.S. government securities, and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund for BPL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure-driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure-driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

The Commonwealth's Board of Library Commissioners (the Board) has designated the Library as the Library for the Commonwealth (LFC). Accordingly, the LFC's operations are included in the Library's financial statements. The LFC provides reference and research services and materials for the Commonwealth and retains personnel with expertise and bibliographic skills needed to develop and provide access to reference and research collections.

The LFC operates under a cost reimbursement arrangement granted by the Commonwealth. The LFC is assessed certain salaries and benefits, for reimbursement to the City of Boston, and purchases books and related materials for the benefit of the Commonwealth.

Special Events

Special events receivables consist of amounts owed for events held at the Library, such as weddings, parties, meetings, and tours. Special events receivables are recorded in the fiscal year the events are held.

Departmental and Other

Departmental and other receivables are recorded as receivables in the fiscal year accrued.

Contributions and Gifts

Contributions and gifts receivables are recorded as receivables in the fiscal year in which the Library has met all the required conditions to which the contribution or gift is subject.

Interest and Dividends

Interest and dividends receivables consist of accrued investment income.

Due from City of Boston

Due from City of Boston receivables consist of grant receivables which are owed directly to the Library from the City of Boston.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Pledges and Grants (Fund for BPL)

Pledges are recorded as receivables in the year made. Grants are recorded as receivables when the Fund for BPL has fulfilled specific requirements. Pledges and grants scheduled to be received over the next 12 months are reflected as current receivables while pledges and grants scheduled to be received in subsequent years are reflected as long-term receivables in the statement of net position and have been discounted to present value. All pledges are considered to be available for unrestricted use unless specifically restricted by the donor.

Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis. Intergovernmental and interest and dividends receivables are considered 100% collectible. The allowance for uncollectible amounts for special events and departmental and other receivables is immaterial and therefore not reported. The Fund for BPL did not recognize an allowance for doubtful accounts for pledges receivable as of June 30, 2020, since management deemed all pledges receivable to be fully collectible.

Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Prepaid Expenses

Prepaid expenses consist of monies paid in advance for subscription and license renewals.

Capital Assets

Government-Wide Financial Statements

Capital assets, which consist of buildings, machinery and equipment and furniture, fixtures and improvements, are reported in the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at their estimated fair market value at the date of donation.

Purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than two years if title/ownership of the underlying assets belongs to the Trustees. For such purchases (including books and related) and construction costs for which the title/ownership of the underlying assets belongs to the City of Boston, costs are not capitalized by the Trustees.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
(A COMPONENT UNIT OF THE CITY OF BOSTON)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Government-Wide Financial Statements (Continued)

Capital assets are depreciated on a straight-line basis.

The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Machinery and Equipment	3-10
Furniture, Fixtures, and Improvements	5

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Funds Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

Works of Art and Historical Treasures

The Library maintains collections including artwork, rare book collection, and historical treasures that have been purchased or donated. These items are preserved and cared for and many are displayed in public exhibitions. The Library does not have a formal policy that requires that proceeds from the sale of these items be used to expand the collections through additional acquisitions. However, historically, the Library has not sold works of art and historical treasures and as of June 30, 2020, the Library has no intention to sell its works of art and historical treasures and not use the proceeds to either restore current holdings or expand the collection through additional acquisitions. Therefore, in accordance with the Governmental Accounting Standards Board (GASB), the Library does not capitalize collections meeting all of the above factors.

Advance Deposits

Advance deposits consist of monies received in advance for special events held at the Library and customer balances in the pay-for-print program.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “due from other funds” or “due to other funds” on the balance sheet.

Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

Net Position and Fund Balances

Government-Wide Financial Statements (Net Position)

Net position represents the residual difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Net position reported as “Net Investment in Capital Assets” includes capital assets, net of accumulated depreciation and any related debt.

Net position is reported as “restricted” when amounts are restricted by outside parties for a specific future use. Net position has been restricted for the following:

Nonexpendable – represents the principal value of amounts held in trust restricted by various trust agreements.

Expendable – represents the investment earnings on amounts held in trust which may be expended in accordance with various trust agreements, amounts which may be expended in accordance with various grant agreements, and other restrictions placed on assets from outside parties.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., inventory) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action (ordinance or resolution) of the Trustees, which is the highest level of decision-making authority for the Library. Committed amounts may be established, modified, or rescinded only through actions approved by the Trustees.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. In the general fund, assigned amounts represent intended uses established by the Trustees or a Library official delegated that authority by charter or ordinance.

Unassigned – represents the residual fund balance for the general fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Total Column

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Library's annual budget consists of two parts; its budget as a component unit of the City and its annual budget as the Trustees of the Public Library. The Library's annual budget as a component unit of the City is prepared as part of the annual municipal budget process. Once adopted, the budget may be amended pursuant to the supplemental appropriation process, in which the Mayor submits such requests to the City Council for approval. The Library's City budget is not part of these financial statements. The Library's annual Trustees' budget is prepared under the direction of the Library's management and Trustees. The Library's Trustees' budget is included as an external fund budget in the City's annual operating budget.

NOTE 3 DEPOSITS AND INVESTMENTS

Library

The by-laws of the Trustees authorize the Library to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool – the Massachusetts Municipal Depository Trust (MMDT).

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Library (Continued)

The Library's permanent funds (through various trust agreements) have expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments. Generally, the Library's investment activities are managed under the custody of the City Treasurer. The Library's investing of funds in its custody is performed in accordance with investment policies approved by the Trustees. Certain permanent funds have investments in a common fund where investments are pooled. The pooled fund makes a distribution of its investment income to the various participating funds. Participating funds may purchase or redeem units of the common fund based upon the market value of the underlying investments held in the common funds.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Library's deposits may not be recovered. The Library does not have a policy for custodial credit risk of deposits. As of June 30, 2020, \$15,942,378 of the Library's bank balance of \$16,192,378 was uninsured, uncollateralized, and exposed to custodial credit risk. The carrying value of the Library's deposits totaled \$17,542,793 at June 30, 2020, which includes money market mutual funds totaling \$3,461,826.

The Library's investments at June 30, 2020 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturities (in Years) < 1</u>
Debt Securities:		
Money Market Mutual Funds	\$ 3,680,035	\$ 3,680,035
Fixed Income Mutual Funds	9,640,324	9,640,324
Total Debt Securities	<u>13,320,359</u>	<u>\$ 13,320,359</u>
Other Investments:		
Equity Securities	14,962,890	
Equity Mutual Funds	3,070,124	
Core Bond Fund	3,257,355	
Private Equity Funds	26,489,702	
Total Other Investments	<u>47,780,071</u>	
Total Investments	<u>\$ 61,100,430</u>	

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Library (Continued)

Investments – Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Library does not have a policy for interest rate risk of debt securities.

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library's policy is for all investments to be insured, registered, or held by the Library's agent in the Library's name. As of June 30, 2020, the entire balance of investments are insured, registered, or held by the Library's agent in the Library's name and are not exposed to custodial credit risk.

Investments – Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Library's policy for investments in individual debt securities is for all securities to be of investment grade (BBB rating or better).

As of June 30, 2020, the Library's investments that are classified as debt securities consisted entirely of mutual funds that were unrated by national credit rating organizations. The Library's investment in the IR&M Core Bond Fund, which is classified as an alternative investment, consists of various fixed income and other debt security investments that are all rated BBB or better by Moody's and Standard and Poors.

Investments – Fair Value Measurements

The Library categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Library (Continued)

The Library has the following recurring fair value measurements as of June 30, 2020:

	<u>Total</u>	<u>Level 1</u>
Equity Securities:		
Equity Mutual Funds	\$ 3,070,124	\$ 3,070,124
Equity Securities	14,962,890	14,962,890
Total Equity Securities	<u>18,033,014</u>	<u>18,033,014</u>
Debt Securities:		
Fixed Income Mutual Funds	9,640,324	9,640,324
Total Debt Securities	<u>9,640,324</u>	<u>9,640,324</u>
Total Investments by Fair Value Level	27,673,338	<u>\$ 27,673,338</u>
Investments Measured at the Net Asset Value (NAV):		
Core Bond Fund	3,257,355	
Private Equity Funds	26,489,702	
Total Investments Measured at the NAV	<u>29,747,057</u>	
Total Investments Measured at Fair Value	<u>\$ 57,420,395</u>	

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments – Fair Value Measurements

The valuation method for investments measure at the net asset value (NAV) per share or its equivalent) is presented on the following table.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Core Bond Fund ⁽¹⁾	\$ 3,257,355	\$ -
Private Equity Funds ⁽²⁾	26,489,702	-
Total Investments Measured at the NAV	<u>\$ 29,747,057</u>	

⁽¹⁾ Core Bond Fund – This type includes one core bond fund that invests primarily in investment-grade fixed income securities. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. This investment can be redeemed as needed, with a redemption notice period of four days.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Library (Continued)

⁽²⁾ Private Equity Funds – This type includes four private equity funds. One fund with a value of \$5,653,381 invests to seek income and capital appreciation by investing in equity and equity-linked securities of non-U.S. companies. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the Library’s ownership interest in partners’ capital. The investment can be redeemed as needed, with notice provided five days before the end of each month. The second fund with a value of \$10,017,007 seeks to approximate, as closely as practicable, before expenses, the performance of the S&P 500® Index over the long term while investing in securities which meet certain social or environmental criteria. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the Library’s ownership interest in partners’ capital. The investment can be redeemed as needed within two days’ notice. The third fund with a value of \$5,847,899 invests to seek an investment return that approximates as closely as practicable, before expenses, the performance of its benchmark index over the long term. The investment can be redeemed as needed within two days’ notice. The fourth fund with a value of \$4,971,415 seeks to invest in Global Resource Optimization Funds. The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the Library’s ownership interest in partners’ capital. The investment can be redeemed at the end of each month as needed within three to seven days’ notice.

Fund for BPL

The Fund for BPL maintains cash balances at financial institutions, and at times during the year these balances may exceed the federally insured limit. Management monitors the financial condition of these financial institutions, along with its balances in cash, to keep this potential risk at a minimum. At June 30, 2020, uninsured amounts totaled approximately \$3,643,000.

The Fund for BPL’s investments at June 30, 2020 are comprised of the following:

	Fair Value
Equities	\$ 855,566
Mutual Funds	746,034
Totals	\$ 1,601,600

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2020, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Intergovernmental	\$ 798,121	\$ -	\$ 798,121
Special Events	7,260	-	7,260
Departmental and Other	95,630	-	95,630
Interest and Dividends	45,931	-	45,931
Due from City of Boston	39,375	-	39,375
Total Receivables	<u>\$ 986,317</u>	<u>\$ -</u>	<u>\$ 986,317</u>

Fund for BPL

Pledges receivable are primarily from long-time supporters located throughout Massachusetts. The long-term portion of receivables is discounted at 3.0%.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 2,087,976	\$ -	\$ -	\$ 2,087,976
Furniture, Fixtures, and Improvements	482,362	-	-	482,362
Total Capital Assets Being Depreciated	2,570,338	-	-	2,570,338
Less Accumulated Depreciation for:				
Machinery and Equipment	(2,051,059)	(9,302)	-	(2,060,361)
Furniture, Fixtures, and Improvements	(370,334)	(55,624)	-	(425,958)
Total Accumulated Depreciation	<u>(2,421,393)</u>	<u>(64,926)</u>	<u>-</u>	<u>(2,486,319)</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 148,945</u>	<u>\$ (64,926)</u>	<u>\$ -</u>	<u>\$ 84,019</u>

NOTE 6 DUE TO CITY OF BOSTON

The following represents a summary of amounts owed to the City at June 30, 2020:

	Amount
Salary Reimbursements - Library for the Commonwealth	\$ 132,344
Collections of Fines	383
Total	<u>\$ 132,727</u>

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020 are summarized as follows:

Description	Nonmajor Governmental Funds			
	General Fund	Library Managed Funds	City Managed Funds	Total Nonmajor Governmental Funds
Annual 5% Distribution to Library Managed Funds ⁽¹⁾	\$ -	\$ 2,547,557	\$ (2,547,557)	\$ -
Annual 5% Distribution to General Funds ⁽¹⁾	288,126	-	(288,126)	(288,126)
To Transfer Funds to Trust Fund Corpus	(14,100)	-	14,100	14,100
To Fund Programs from Hearst/Humanities Funds	189,950	(189,950)	-	(189,950)
To Fund Pay for Print and Employee Training	237,413	(237,413)	-	(237,413)
Miscellaneous Transfers	50,035	(50,035)	-	(50,035)
Transfers, Net	<u>\$ 751,424</u>	<u>\$ 2,070,159</u>	<u>\$ (2,821,583)</u>	<u>\$ (751,424)</u>

(1) Since fiscal year 2003, it is the Trustees' policy to authorize the City to distribute 5% of the Library's perpetual permanent fund balances (using a three-year average of market values) to help fund the Library's operations

NOTE 8 PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS

Persons that perform services for the Library are employees of the City only. City employees participate in the City's retirement plan. The City is responsible for contributions to the State-Boston Retirement System (the System), a cost-sharing, multiemployer, defined benefit pension plan. The System provides retirement disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available financial report, which can be obtained through the State-Boston Retirement System, Boston City Hall, Boston, Massachusetts.

In addition to providing pension benefits, the City is required to provide certain health care and life insurance benefits for retired employees of the City. Substantially all of the Library's employees may become eligible for these benefits if they reach retirement age while working for the Library. Eligible retirees are required to contribute a specified percentage of health care benefit costs which is comparable to contributions required from employees.

In accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, no liability has been recorded on the Library's financial statements since the City has not allocated any portion of other postemployment benefit liabilities to the Library as of June 30, 2020, since persons that perform services for the Library are employees of the City only.

TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 RISK FINANCING

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. For the previous three years, coverage has remained consistent and there were no losses which exceeded coverage.

NOTE 10 RELATED PARTY TRANSACTIONS

The Library receives support from the City as a component unit. This support is received for expenditure assistance and various programs. Per a mutual agreement with the City, appropriations for salary and retirement expenses and general and administrative expenses of the Library have been omitted from these basic financial statements, as those costs are included in the City's budget. Capital asset purchases made by the City for the benefit of the Library, the value of the main Library buildings and its land, have also been excluded from these basic financial statements. All of the aforementioned amounts, and the related receivables and accruals, appear in the audited financial statements of the City.

NOTE 11 CONTINGENCIES

Various legal actions and claims are pending against the Library. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Library at June 30, 2020.

