

**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, 2019**



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CONSULTING**

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
(A COMPONENT UNIT 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, 2019, 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 discretely presented 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, 2019, 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 13) 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 19, 2019, 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 19, 2019

**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, 2019**

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, 2019.

**BACKGROUND OF THE BOSTON PUBLIC LIBRARY**

The Boston Public Library (the BPL) 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 in Copley Square.

The BPL encompasses a Central Library, twenty-five vibrant neighborhood libraries, a robust website, and classes and programs for all ages. The Library's collection of more than 23 million items includes circulating books, eBooks, DVDs, and music, as well as research and special collections that encompass rare manuscripts, prints, photographs, drawings, maps, posters, and more. The Boston Public Library's Kirstein Business Library and Innovation Center, Norman B. Leventhal Map Center, and Collections of Distinction such as the personal library of John Adams, the Anti-Slavery collection, the Thomas Pennant Barton Collection of Shakespeare, and the Boston Pictorial Archive attract researchers and scholars from across the city and around the world.

In fiscal year 2019, Boston Public Library hosted 11,906 public programs reaching 246,059 people, received 5 million visits to its website, and lent 5.1 million items. Of the library's 5.1 million items borrowed, nearly 1.9 million were digital downloads, comprised of 701,015 audiobooks and 1,180,852 e-books. In the same fiscal year, the Boston Public Library helped 89,402 Massachusetts residents – adults, children, and teens – sign up for new library cards, hosted 490,322 free computer sessions, enabled 397,170 free wireless internet sessions, and hosted more than 3.5 million in-person visits.

**FY19: OVERVIEW AND LESSONS LEARNED**

The FY19 year has represented a period of increasing demand and usage, improvements in spaces service offerings and several areas of operational support as well as extensive planning for continued growth and improvement with particular focus on the City's Capital Plan and a new focus on an improved and integrated fundraising strategy with our affiliate partners.

The Library has spent the last three years in a period of transformation. Across the board, we have scrutinized positions, replacing vacant positions which could be better repurposed for the library of the 21st century, while thoughtfully adding positions system wide that better help us serve our mission.

Operationally, the management team has been tasked to assess each function through the lens of public and customer service, review procedures and either update documentation or guidance or encode such procedures where none existed. The Library continues to look at contracted opportunities to ensure contractors are adding value, providing quality service and doing so cost-effectively.

In the coming year, the library will continue to leverage strong partners with complementary expertise and capacity to deliver its mission, particularly in the area of supplementary programming. We continue to evaluate demands for service increases and match functions to the right combination of qualitative and quantitative tracking of current services.

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**KEY ACCOMPLISHMENTS**

**Key Accomplishments: Leadership Team and Management**

In FY19, the Library made several key new hires, including a new Chief Technology Officer and a Facilities Branch Manager. Additionally, the Legal Advisor role is now an in-house position. We are also in the process of filling the remaining two management vacancies in the Facilities department.

Combined with the hiring of an Executive Director for the new Fund for the Boston Public Library, this is once again a strong management team. Combining a new diversity of experience at other organizations combined with the experience of several long-serving employees, this team is prepared to bring fresh eyes to many areas of library operations and represents an opportunity to review goals and plans for service delivery, under the leadership of Library President, David Leonard, entering his fourth year in this role.

**Key Accomplishments: Capital Projects**

*Branch Renovations*

Construction for the \$17.2 million Dudley Branch renovation is well past the halfway mark. The branch is scheduled to reopen in early 2020.

The Parker Hill Branch project, consisting of waterproofing, roof repair, and window replacement, was completed in July 2018.

The design phases have been completed for the Adams Street and Roslindale Branches, with construction for both branches beginning in early FY20.

A programming and community process is underway for the Fields Corner Branch, while a designer has been selected for the renovation of the Faneuil Branch.

Small refresh projects were completed at the West Roxbury, Lower Mills, and South Boston Branches. The design process for a refresh of the South End Branch was completed this year, and those renovations will be completed this fall.

The Jamaica Plain Branch, which underwent a large scale renovation in spring 2017, was awarded the 2018 Boston Preservation Alliance Preservation Alliance Award and the 2018 Boston Society of Architects Interior Architecture and Design Award.

*Central Library*

The design process and construction preparation for the Rare Books renovation project has been completed, with construction starting at the beginning of the new fiscal year. The design for the repair of the Johnson Building Roof and the Deferrari atrium has also been completed, while construction has begun for the Energy Efficiency *Renew Boston Trust* project at the Central Library and several key branches.

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**Key Accomplishments: Development Strategy**

*The Fund for the Boston Public Library*

The Fund for the Boston Public Library was launched in April 2019, to support, sustain, and strengthen the Boston Public Library's capabilities to provide educational and cultural enrichment, free to all. This new fund provides the public with the opportunity to invest in the Library's mission and to preserve one of Boston's – and the world's – premiere public libraries and cultural institutions.

The new leadership of the Fund includes Mary Flynn Meyers, an experienced development professional, who has taken on the role of Executive Director. A board of directors for the Fund is also taking shape, and currently includes: Jeff Hawkins, Michael Keating, Hannah Grove, Lewis Burleigh, James McHugh, Robert Gallery, and David Leonard, ex officio.

The resources raised by the Fund for the Boston Public Library will focus on four important areas to advance the Library's mission:

Engaging the Public through Enhanced Programming and Engaging Spaces: The Fund will make possible the continued development, expansion, and improvement of the Library's high-impact programming and services. This programming will engage, educate, and convene all communities, while energizing the public spaces in BPL facilities.

Improving Technology to Better Serve the Public: The Fund will make investments to maintain the BPL's standing as a national leader in library service technology, improving the Library's IT systems, increasing access to knowledge through the provision and creation of digital content, and closing the digital divide by providing the public improved access to cutting-edge technology as a matter of social equity.

Restoring and Preserving our History: The Fund will explore the feasibility of and launch a capital campaign to complete the restoration of the entire McKim building, bringing to life its underutilized spaces, preserving its historic significance and beauty, and imagining new ways to interact with currently inaccessible collections and reactivating inspirational spaces in a respectful but imaginative and dynamic manner.

Supporting the Library's Special Collections: The Fund will help ensure the maintenance and care of one of the world's most important public collections of art, rare books, maps and other special objects. In doing so, it will make these precious objects, owned by the public, more accessible to and utilized by patrons today and far into future generations.

*New Agreements with Major Affiliate Partners*

Newly-executed Memoranda of Understanding with our two major affiliates – the Associates of the Boston Public Library and the Norman B. Leventhal Map and Education Center – will now govern all shared development, communications, and operational strategies. These shared strategies will enable these organizations to speak to the broader philanthropic community with a single message and set of priorities, eliminating the potential for redundancy and confusion. A second tier of activity will seek greater collaboration and coordination with both the Citywide Friends and neighborhood friends groups.

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YEAR ENDED JUNE 30, 2019**

**Key Accomplishments: Collections**

*Inventory Completion*

The BPL's photography and print inventories have been completed, resulting in electronic records, better organization, and improved archival storage of the rich, expansive collections held by the Print Department.

*Toulouse-Lautrec Exhibition and Partnership*

The BPL loaned more than 100 Toulouse-Lautrec prints to the Museum of Fine Arts – the largest loan of its type in the Library's history, and the beginning of what we expect will be an ongoing partnership that will enable the Library to showcase more of its museum-quality collections.

*Rare Books Department Renovation Planning*

In preparation for a \$16m renovation, the entire Rare Books and Manuscripts collection was moved off-site for storage during the renovation. A temporary department has been set up at the Central Library for staff to continue their work on a limited collection that remains on-site

*Staff Restructuring*

As part of the ongoing initiative to provide resources and better align the departmental structure responsible for special collections, ten new and revised positions were fully negotiated and are in the process of being filled. By merging the former Prints and Arts Departments into a new Arts Department, the library will be able to provide better service and promote the wide spectrum of visual materials collections. Staff in this area include a new Manager of the Arts and five additional curators who will specialize in prints, photographs, fine arts, and music.

**Key Accomplishments: Public Service**

*Social Work Outreach*

This year, in partnership with the Department of Neighborhood Development and Pine Street Inn, the BPL welcomed a full-time outreach manager embedded at the Central Library in Copley Square, who provides assessment, crisis intervention, and intensive case management services to unsheltered individuals drawn to the spaces and resources of the Boston Public Library.

*Wi-Fi Hotspot Lending*

BPL has launched a mobile Wi-Fi hotspot lending initiative, expanding free internet access to patrons beyond its 26 public service locations. Hotspots are available to borrow at the Central Library and branches throughout the city; if all hotspots are checked out, adult patrons may place a hold via the online catalog for 21-day loan periods, just like a book.

*Branches*

With the continued strong investment of the City of Boston, BPL's branches are receiving renovations and seeing their spaces refreshed, resulting in significant traffic and usage increases. This year, approximately 80% of the BPL's programs took place in its branches, while nearly half of the visitors to the BPL came through its branches. In addition, branches account for 70% of the system's circulation, and more than half of the computer sessions system wide.

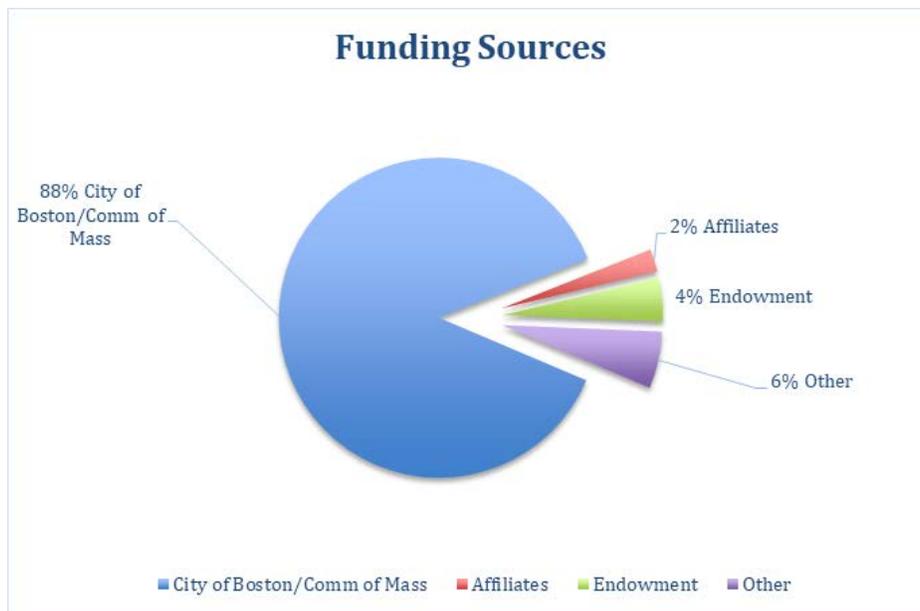
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**Key Accomplishments: Public Service (Continued)**

*Digitization*

The BPL's focus on equity and access is reflected in the work of its digitization team; this year's major efforts included the full, crowdsourced transcription of more than 4,000 digitized manuscripts and letters from the BPL's antislavery collection, a partnership with UMass Boston to digitize their hip-hop archives, and a new partnership between the BPL, Digital Commonwealth, Harvard University, and the National Archives that will result in the full digitization and free online posting of the Morgan v. Hennigan Boston Public Schools desegregation case file.

**FY19 BUDGET INFORMATION**



In FY19, the BPL received approximately 88% of its total operating budget from governmental sources. The majority of this – 80% or \$36m – is provided by the City of Boston (the City). [Note: revenue to the BPL from the City is included in the City's audited financial statements, not the BPL's audited financial statements].

**OPERATING BUDGET EXPENDITURES**

The BPL's largest expenditures area is in personnel; approximately 61% 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 15%. The materials (books, CDs, DVDs) and program budgets compose 13% 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.

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YEAR ENDED JUNE 30, 2019**

## **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 \$78,494,084 (net position)
- The Library's total net position increased \$2,618,573
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,444,138, or 22.6% 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:

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Government-Wide Financial Statements (Continued)**

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.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Fund Financial Statements (Continued)**

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 14 and 15 of the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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 \$78,494,084 at the close of the fiscal year and are summarized as follows:

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets	\$ 17,194,053	\$ 15,556,928
Noncurrent Assets, Excluding Capital Assets	63,043,121	61,925,413
Capital Assets, Net	<u>148,945</u>	<u>166,301</u>
Total Assets	<u>80,386,119</u>	<u>77,648,642</u>
<b>LIABILITIES</b>		
Current Liabilities	1,892,035	1,773,131
<b>NET POSITION</b>		
Net Investment in Capital Assets	148,945	166,301
Restricted	73,822,815	72,361,314
Unrestricted	<u>4,522,324</u>	<u>3,347,896</u>
Total Net Position	<u>\$ 78,494,084</u>	<u>\$ 75,875,511</u>

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 \$2,618,573 during the current fiscal year, summarized as follows:

	Governmental Activities	
	2019	2018
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 3,297,042	\$ 2,824,012
Operating Grants and Contributions	7,657,918	7,087,913
General Revenues:		
Unrestricted Grants and Contributions	1,466,272	1,260,867
Unrestricted Investment Income	172,245	63,948
Total Revenues	12,593,477	11,236,740
<b>EXPENSES</b>		
Salaries and Benefits	2,352,406	2,426,936
Books and Related Materials	1,222,234	1,474,226
Programs	730,488	690,475
Administrative	1,768,048	1,197,609
Contractual Services and Utilities	2,618,057	2,061,556
Equipment, Furniture, and Maintenance	1,206,065	813,108
Unallocated Depreciation	77,606	84,113
Total Expenses	9,974,904	8,748,023
<b>CHANGE IN NET POSITION</b>	2,618,573	2,488,717
Net Position - Beginning of Year	75,875,511	73,386,794
<b>NET POSITION - END OF YEAR</b>	\$ 78,494,084	\$ 75,875,511

Governmental activities increased the Library's net position by \$2,618,573, consistent with the prior year increase of \$2,488,717.

**FUND FINANCIAL ANALYSIS**

This analysis is based on the fund financial statements on pages 16 and 17.

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.

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*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 \$62,960,000 at June 30, 2019.

*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 \$10,863,000 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 \$43,000 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 \$3,035,000 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 \$1,444,000 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, 2019**

	Governmental Activities	Fund for BPL
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,074,239	\$ 4,085,748
Restricted Cash and Cash Equivalents	12,939,975	-
Restricted Investments	-	1,695,553
Receivables, Net of Allowance for Uncollectible Amounts:		
Intergovernmental	795,163	-
Special Events	144,141	-
Departmental and Other	215,339	-
Pledges and Grants	-	1,532,750
Interest and Dividends	23,006	-
Prepaid Expenses and Other Assets	2,190	3,612
Total Current Assets	17,194,053	7,317,663
<b>NONCURRENT ASSETS</b>		
Restricted Cash and Cash Equivalents	4,030,914	-
Restricted Investments	59,012,207	-
Receivables, Net of Allowance for Uncollectible Amounts:		
Pledges and Grants	-	963,187
Capital Assets, Net of Accumulated Depreciation	148,945	-
Total Noncurrent Assets	63,192,066	963,187
Total Assets	80,386,119	8,280,850
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,077,019	23,686
Accrued Expenses	116,820	-
Advance Deposits	378,637	-
Due to City of Boston	319,559	-
Due to Leventhal Map Center	-	1,014,527
Total Liabilities	1,892,035	1,038,213
<b>NET POSITION</b>		
Net Investment in Capital Assets	148,945	-
Restricted:		
Nonexpendable	62,960,155	-
Expendable	10,862,660	3,692,931
Unrestricted	4,522,324	3,549,706
Total Net Position	\$ 78,494,084	\$ 7,242,637

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, 2019**

Activities	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>				
Governmental Activities:				
Salaries and Benefits	\$ 2,352,406	\$ 200,534	\$ 1,636,153	\$ (515,719)
Books and Related Materials	1,222,234	-	1,605,755	383,521
Programs	730,488	1,739,217	820,376	1,829,105
Administrative	1,768,048	1,191,792	1,086,293	510,037
Contractual Services and Utilities	2,618,057	-	2,099,155	(518,902)
Equipment, Furniture, and Maintenance	1,206,065	165,499	410,186	(630,380)
Unallocated Depreciation	77,606	-	-	(77,606)
	<u>\$ 9,974,904</u>	<u>\$ 3,297,042</u>	<u>\$ 7,657,918</u>	<u>\$ 980,056</u>
<b>COMPONENT UNIT</b>				
Fund for BPL	<u>\$ 1,009,497</u>	<u>\$ -</u>	<u>\$ 5,843,396</u>	<u>\$ 4,833,899</u>
			Primary Government	Component Unit
<b>CHANGES IN NET POSITION</b>				
Net (Expense) Revenue			\$ 980,056	\$ 4,833,899
<b>GENERAL REVENUES</b>				
Unrestricted Grants and Contributions			1,466,272	-
Unrestricted Investment Income			172,245	-
Total General Revenues			<u>1,638,517</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>			2,618,573	4,833,899
Net Position - Beginning of Year			<u>75,875,511</u>	<u>2,408,738</u>
<b>NET POSITION - END OF YEAR</b>			<u>\$ 78,494,084</u>	<u>\$ 7,242,637</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, 2019**

<b>ASSETS</b>	<u>General</u>	<u>Fund for BPL</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 3,074,239	\$ -	\$ -	\$ 3,074,239
Restricted Cash and Cash Equivalents	2,274,363	1,433,329	13,263,197	16,970,889
Restricted Investments	-	-	59,012,207	59,012,207
Receivables, Net of Allowance for Uncollectible Amounts:				
Intergovernmental	795,163	-	-	795,163
Special Events	144,141	-	-	144,141
Departmental and Other	6,062	-	209,277	215,339
Interest and Dividends	-	-	23,006	23,006
Prepaid Expenses and Other Assets	2,190	-	-	2,190
<b>Total Assets</b>	<b><u>\$ 6,296,158</u></b>	<b><u>\$ 1,433,329</u></b>	<b><u>\$ 72,507,687</u></b>	<b><u>\$ 80,237,174</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 894,307	\$ 28,572	\$ 154,140	\$ 1,077,019
Accrued Expenses	10,848	-	105,972	116,820
Advance Deposits	378,637	-	-	378,637
Due to City of Boston	271,509	-	48,050	319,559
<b>Total Liabilities</b>	<b><u>1,555,301</u></b>	<b><u>28,572</u></b>	<b><u>308,162</u></b>	<b><u>1,892,035</u></b>
<b>FUND BALANCES</b>				
Nonspendable:				
Perpetual Permanent Funds	-	-	62,960,155	62,960,155
Restricted:				
Expendable Permanent Funds	-	-	6,822,881	6,822,881
Fund for BPL Gifts	-	1,404,757	-	1,404,757
Associates Gifts	-	-	26,557	26,557
Programs	234,573	-	-	234,573
Metro Boston Library Network	456,258	-	-	456,258
General Trust Holdings	106,862	-	-	106,862
General Trust	-	-	1,810,772	1,810,772
Committed:				
Neighborhood Outreach	43,184	-	-	43,184
Assigned:				
Information Technology Equipment	1,302,718	-	579,160	1,881,878
Salaries	466,000	-	-	466,000
Furniture	89,677	-	-	89,677
Photo Duplication	36,398	-	-	36,398
Operating Fund	561,049	-	-	561,049
Unassigned	1,444,138	-	-	1,444,138
<b>Total Fund Balances</b>	<b><u>4,740,857</u></b>	<b><u>1,404,757</u></b>	<b><u>72,199,525</u></b>	<b><u>78,345,139</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 6,296,158</u></b>	<b><u>\$ 1,433,329</u></b>	<b><u>\$ 72,507,687</u></b>	<b><u>\$ 80,237,174</u></b>

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, 2019**

	General	Fund for BPL	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 3,652,899	\$ -	\$ 125,454	\$ 3,778,353
Special Events	1,738,796	-	-	1,738,796
Fees for Services	938,119	-	82,060	1,020,179
Contributions and Gifts	147,851	121,636	1,041,141	1,310,628
Investment Income	167,918	-	4,577,603	4,745,521
Total Revenues	<u>6,645,583</u>	<u>121,636</u>	<u>5,826,258</u>	<u>12,593,477</u>
<b>EXPENDITURES</b>				
Salaries and Benefits	1,675,327	167,534	509,545	2,352,406
Books and Related Materials	295,961	-	926,273	1,222,234
Programs	215,150	183,140	332,198	730,488
Administrative	1,459,990	25,425	282,633	1,768,048
Contractual Services and Utilities	1,607,598	98,253	912,206	2,618,057
Equipment, Furniture, and Maintenance	1,018,765	9,873	237,677	1,266,315
Total Expenditures	<u>6,272,791</u>	<u>484,225</u>	<u>3,200,532</u>	<u>9,957,548</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	372,792	(362,589)	2,625,726	2,635,929
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,156,889	-	2,658,672	3,815,561
Transfers Out	(103,146)	-	(3,712,415)	(3,815,561)
Total Other Financing Sources (Uses)	<u>1,053,743</u>	<u>-</u>	<u>(1,053,743)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,426,535	(362,589)	1,571,983	2,635,929
Fund Balances - Beginning of Year	<u>3,314,322</u>	<u>1,767,346</u>	<u>70,627,542</u>	<u>75,709,210</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 4,740,857</u>	<u>\$ 1,404,757</u>	<u>\$ 72,199,525</u>	<u>\$ 78,345,139</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, 2019**

Total Governmental Fund Balances	\$ 78,345,139
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	<u>148,945</u>
Net Position of Governmental Activities	<u><u>\$ 78,494,084</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, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,635,929
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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. These amounts represent the related activity of the current period.

Capital Outlays	60,250
Depreciation	<u>(77,606)</u>

Changes in Net Position of Governmental Activities	<u>\$ 2,618,573</u>
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**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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, 2019**

**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, 2019, the Library implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

The implementation of these GASB statements had no reporting impact for the Library.

**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, 2019**

**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, 2019

**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, 2019**

**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.

Government-Wide 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, 2019 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, and U.S. government securities are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued at the net asset value (NAV) of the shares held.

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, 2019**

**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.

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.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019, 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.

**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 the 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.

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

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Government-Wide Financial Statements (Continued)

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, 2019, 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.

**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.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
(A COMPONENT UNIT OF THE CITY OF BOSTON)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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.

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.

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position and Fund Balances (Continued)**

Governmental Funds Financial Statements (Fund Balances) (Continued)

*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).

**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.

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**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).

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, 2019, \$12,457,996 of the Library's bank balance of \$12,707,996 was uninsured, uncollateralized, and exposed to custodial credit risk. The carrying value of the Library's deposits totaled \$13,457,902 at June 30, 2019.

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

**Library (Continued)**

Investments Summary

The Library's investments at June 30, 2019 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) &lt; 1</u>
Debt Securities:		
Money Market Mutual Funds	\$ 6,587,226	\$ 6,587,226
Fixed Income Mutual Funds	9,253,850	9,253,850
Total Debt Securities	<u>15,841,076</u>	<u>\$ 15,841,076</u>
Other Investments:		
Equity Securities	18,330,686	
Equity Mutual Funds	3,329,644	
Core Bond Fund	5,366,537	
Private Equity Funds	22,731,490	
Total Other Investments	<u>49,758,357</u>	
 Total Investments	 <u>\$ 65,599,433</u>	

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, 2019, 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.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Library (Continued)**

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, 2019, 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.

The Library has the following recurring fair value measurements as of June 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Securities:				
Equity Mutual Funds	\$ 3,329,644	\$ 3,329,644	\$ -	\$ -
Equity Securities	<u>18,330,686</u>	<u>18,330,686</u>	-	-
Total Equity Securities	21,660,330	21,660,330	-	-
Debt Securities:				
Fixed Income Mutual Funds	9,253,850	9,253,850	-	-
Total Debt Securities	<u>9,253,850</u>	<u>9,253,850</u>	-	-
Total Investments by Fair Value Level	30,914,180	<u>\$ 30,914,180</u>	<u>\$ -</u>	<u>\$ -</u>
Investments Measured at the Net Asset Value (NAV):				
Core Bond Fund	5,366,537			
Private Equity Funds	<u>22,731,490</u>			
Total Investments Measured at the NAV	<u>28,098,027</u>			
Total Investments Measured at Fair Value	<u>\$ 59,012,207</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.

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**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Library (Continued)**

**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.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Core Bond Fund <sup>(1)</sup>	\$ 5,366,537	\$ -	As needed	4 days <sup>(1)</sup>
Private Equity Funds <sup>(2)</sup>	22,731,490	-	As needed	2-5 days <sup>(2)</sup>
Total Investments Measured at the NAV	<u>\$ 28,098,027</u>			

<sup>(1)</sup> 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.

<sup>(2)</sup> Private Equity Funds – This type includes three private equity funds. One fund with a value of \$6,289,503 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 System’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 \$9,851,518 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 System’s ownership interest in partners’ capital. The investment can be redeemed as needed within two days’ notice. The third fund with a value of \$6,590,469 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.

**Fund for BPL**

The Fund for BPL’s investments at June 30, 2019 are comprised of the following:

	Cost	Fair Value	Net Unrealized Gain (Loss)
Common Stocks	\$ 306,849	\$ 393,746	\$ 86,897
Mutual Funds	1,221,113	1,301,807	80,694
Totals	<u>\$ 1,527,962</u>	<u>\$ 1,695,553</u>	<u>\$ 167,591</u>

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

At June 30, 2019, 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 - Library for the Commonwealth (LFC)	\$ 795,163	\$ -	\$ 795,163
Special Events	144,141	-	144,141
Departmental and Other	215,339	-	215,339
Interest and Dividends	23,006	-	23,006
Total Receivables	<u>\$ 1,177,649</u>	<u>\$ -</u>	<u>\$ 1,177,649</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, 2019 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	422,112	60,250	-	482,362
Total Capital Assets Being Depreciated	2,510,088	60,250	-	2,570,338
Less Accumulated Depreciation for:				
Machinery and Equipment	(2,022,107)	(28,952)	-	(2,051,059)
Furniture, Fixtures, and Improvements	(321,680)	(48,654)	-	(370,334)
Total Accumulated Depreciation	<u>(2,343,787)</u>	<u>(77,606)</u>	<u>-</u>	<u>(2,421,393)</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 166,301</u>	<u>\$ (17,356)</u>	<u>\$ -</u>	<u>\$ 148,945</u>

**NOTE 6 DUE TO CITY OF BOSTON**

The following represents a summary of amounts owed to the City at June 30, 2019:

	Amount
Salary Reimbursements - Library for the Commonwealth	\$ 148,796
Salary Reimbursements - Other	158,460
Collections of Fines	12,303
Total	<u>\$ 319,559</u>

**TRUSTEES OF THE PUBLIC LIBRARY OF THE CITY OF BOSTON  
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**NOTE 7 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2019 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 <sup>(1)</sup>	\$ -	\$ 2,555,526	\$ (2,555,526)	\$ -
Annual 5% Distribution to General Funds <sup>(1)</sup>	288,498	-	(288,498)	(288,498)
To Fund Programs from Hearst/Humanities Funds	190,194	(190,194)	-	(190,194)
To Fund Branch Operating Budgets with Ill Pannino Funds	45,356	(45,356)	-	(45,356)
To Transfer Funds for Trust Fund Corpus	(93,355)	-	93,355	93,355
To Reclassify a Portion of the Deferrari Fund	594,360	(594,360)	-	(594,360)
Miscellaneous Transfers Out	(9,791)	9,791	-	9,791
Miscellaneous Transfers In	38,481	(38,481)	-	(38,481)
Transfers, Net	<u>\$ 1,053,743</u>	<u>\$ 1,696,926</u>	<u>\$ (2,750,669)</u>	<u>\$ (1,053,743)</u>

<sup>(1)</sup> 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.

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**JUNE 30, 2019**

**NOTE 8 PENSION PLAN AND OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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, 2019, since persons that perform services for the Library are employees of the City only.

**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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Library at June 30, 2019.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

