

BOSTON PUBLIC LIBRARY FUND, INC.

**(A Component Unit of the Trustees of the Public Library of the
City of Boston for Financial Reporting Purposes Only)**

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

AND

**REPORT ON INTERNAL CONTROL AND COMPLIANCE
YEAR ENDED JUNE 30, 2023**

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component Unit of the Trustees of the Public Library of the
City of Boston for Financial Reporting Purposes Only)
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the Executive Committee of the
Boston Public Library Fund, Inc.
Boston, Massachusetts

Opinion

We have audited the accompanying financial statements of Boston Public Library Fund, Inc. (a component unit of the Trustees of the Public Library of the City of Boston for Financial Reporting Purposes Only), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Public Library Fund, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Boston Public Library Fund, Inc. and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Public Library Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Boston Public Library Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Public Library Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023 on our consideration of the Boston Public Library Fund, Inc.’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 Boston Public Library Fund, Inc.’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 Boston Public Library Fund, Inc.’s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
September 21, 2023

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component unit of the Trustees of the Public Library of the
City of Boston for Financial Reporting Purposes Only)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 4,308,582	\$ 842,639
Contributions receivable, net	775,092	629,746
Prepaid expenses	<u>1,499</u>	<u>31,029</u>
Total current assets	<u>5,085,173</u>	<u>1,503,414</u>
Property and equipment, net	<u>12,773</u>	<u>16,137</u>
Other assets:		
Investments	4,592,601	4,150,208
Contributions receivable, net of current portion and discount	<u>465,986</u>	<u>115,392</u>
Total other assets	<u>5,058,587</u>	<u>4,265,600</u>
TOTAL ASSETS	<u>\$ 10,156,533</u>	<u>\$ 5,785,151</u>

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ <u>78,003</u>	\$ <u>94,121</u>
Total liabilities	<u>78,003</u>	<u>94,121</u>
Net assets:		
Without donor restrictions	7,219,638	3,461,265
With donor restrictions	<u>2,858,892</u>	<u>2,229,765</u>
Total net assets	<u>10,078,530</u>	<u>5,691,030</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,156,533</u>	<u>\$ 5,785,151</u>

See accompanying notes to financial statements.

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component unit of the Trustees of the Public Library of the
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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>			<u>2022</u>		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:						
Revenue and support:						
Contributions	\$ 5,666,818	\$ 2,452,902	\$ 8,119,720	\$ 1,963,540	\$ 1,148,214	\$ 3,111,754
In-kind contributions	48,000	-	48,000	18,000	-	18,000
Gain (losses) on investments, net	312,642	167,772	480,414	(506,445)	(285,042)	(791,487)
Net assets released from donor restrictions	<u>1,991,547</u>	<u>(1,991,547)</u>	<u>-</u>	<u>1,997,329</u>	<u>(1,997,329)</u>	<u>-</u>
Total revenue and support	<u>8,019,007</u>	<u>629,127</u>	<u>8,648,134</u>	<u>3,472,424</u>	<u>(1,134,157)</u>	<u>2,338,267</u>
Expenses:						
Program	2,558,416	-	2,558,416	1,984,743	-	1,984,743
Management and general	671,409	-	671,409	599,340	-	599,340
Fundraising	<u>1,030,809</u>	<u>-</u>	<u>1,030,809</u>	<u>852,082</u>	<u>-</u>	<u>852,082</u>
Total expenses	<u>4,260,634</u>	<u>-</u>	<u>4,260,634</u>	<u>3,436,165</u>	<u>-</u>	<u>3,436,165</u>
Changes in net assets from operations	<u>3,758,373</u>	<u>629,127</u>	<u>4,387,500</u>	<u>36,259</u>	<u>(1,134,157)</u>	<u>(1,097,898)</u>
Non-operating activities:						
Forgiveness of Paycheck Protection Program loan	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,565</u>	<u>-</u>	<u>124,565</u>
Changes in net assets	3,758,373	629,127	4,387,500	160,824	(1,134,157)	(973,333)
Net assets - beginning of year	<u>3,461,265</u>	<u>2,229,765</u>	<u>5,691,030</u>	<u>3,300,441</u>	<u>3,363,922</u>	<u>6,664,363</u>
NET ASSETS - END OF YEAR	<u>\$ 7,219,638</u>	<u>\$ 2,858,892</u>	<u>\$ 10,078,530</u>	<u>\$ 3,461,265</u>	<u>\$ 2,229,765</u>	<u>\$ 5,691,030</u>

See accompanying notes to financial statements.

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component Unit of the Trustees of the Public Library of the
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STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			
	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 2,558,416	\$ -	\$ -	\$ 2,558,416
Salaries and related	-	449,636	683,173	1,132,809
Consulting and professional services	-	112,437	34,603	147,040
Cultivation	-	-	133,808	133,808
Printing and postage	-	-	118,905	118,905
Office and other expenses	-	40,908	10,698	51,606
Equipment rental and maintenance	-	12,675	38,445	51,120
Rent	-	48,000	-	48,000
Training	-	7,753	-	7,753
Insurance	-	-	4,263	4,263
Bad debt	-	-	3,550	3,550
Depreciation	-	-	3,364	3,364
TOTAL FUNCTIONAL EXPENSES	\$ 2,558,416	\$ 671,409	\$ 1,030,809	\$ 4,260,634
	2022			
	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 1,984,743	\$ -	\$ -	\$ 1,984,743
Salaries and related	-	418,553	668,514	1,087,067
Consulting and professional services	-	122,060	38,558	160,618
Printing and postage	-	-	104,329	104,329
Office and other expenses	-	26,454	10,032	36,486
Equipment rental and maintenance	-	9,647	10,871	20,518
Rent	-	18,000	-	18,000
Cultivation	-	-	13,467	13,467
Training	-	4,626	-	4,626
Depreciation	-	-	3,225	3,225
Insurance	-	-	3,086	3,086
TOTAL FUNCTIONAL EXPENSES	\$ 1,984,743	\$ 599,340	\$ 852,082	\$ 3,436,165

See accompanying notes to financial statements.

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component Unit of the Trustees of the Public Library of the
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating activities:		
Changes in net assets	\$ 4,387,500	\$ (973,333)
Adjustments to reconcile changes in net assets to net cash provided (used) in operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(124,565)
Bad debt	3,550	-
Net realized and unrealized losses (gains) on investments	(480,414)	791,487
Depreciation	3,364	3,225
Changes in operating assets and liabilities:		
Contributions receivable	(499,490)	757,265
Prepaid expenses	29,530	(28,429)
Accounts payable and accrued expenses	(16,118)	(8,677)
Due to Trustees of the Public Library of the City of Boston	<u>-</u>	<u>(689,620)</u>
Net cash provided (used) in operating activities	<u>3,427,922</u>	<u>(272,647)</u>
Investing activities:		
Purchase of property and equipment	-	(5,031)
Purchase of investments	(221,150)	(535,030)
Proceeds from sale of investments	<u>259,171</u>	<u>602,087</u>
Net cash provided by investing activities	<u>38,021</u>	<u>62,026</u>
Net increase (decrease) in cash and cash equivalents	3,465,943	(210,621)
Cash and cash equivalents - beginning	<u>842,639</u>	<u>1,053,260</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,308,582</u>	<u>\$ 842,639</u>

See accompanying notes to financial statements.

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component unit of the Trustees of the Public Library of the City of
Boston for Financial Reporting Purposes Only)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1. ORGANIZATION

Boston Public Library Fund, Inc. (the "Fund") was formed on March 2, 1992 as a nonprofit organization to support the physical restoration and the enhancement of the public visibility of the Trustees of the Public Library of the City of Boston (the "Library").

The mission for the Fund is to provide financial support to the Library, ensuring that it remains viable, engaging, accessible, and free to all. The four cornerstones of the Library's mission are programming and services that bring energy and excitement to all of the Library's inspirational spaces, innovative investment in technology and digital offerings to ensure the Library's continued position as a national and international leader, print and electronic collections development, and preservation, renovation and restoration of its historic building and collections.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Fund have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Fund follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic *Presentation of Financial Statements of Not-for-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the assets be maintained in perpetuity.

Measurement of Operations

The statements of activities and changes in net assets report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Fund's ongoing purpose and the returns earned or lost on investments. Non-operating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

BOSTON PUBLIC LIBRARY FUND, INC.
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with original maturity of three months or less. The Fund maintains its cash in bank deposit accounts with highly-rated financial institutions, which, at times, may exceed the FDIC insurance limits. At June 30, 2023 and 2022, cash balances in excess of federally insured limits totaled \$3,999,743 and \$548,813, respectively. The Fund has not experienced any losses in such accounts.

Investments

The Fund invests in marketable securities consisting primarily of cash, common stock, equity funds and fixed income funds. Investments in marketable securities with readily determinable fair values are reported at fair value in the accompanying statements of financial position. Investment income, including realized and unrealized investment gains and losses, are reported as increases or decreases in net assets without donor restrictions or net assets with donor restrictions, if restricted by the donor.

Endowment

The Fund's endowment consists of investments with donor restrictions, some of which are perpetual in nature. Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions. The Fund's investment policies are as follows:

Interpretation of relevant law - The Fund manages its endowment consistent with the Massachusetts Act, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Fund's policy is to preserve the value of the original gifts as of the gift date and classify the gifts as net assets with donor restrictions that are perpetual in nature. The remaining portion of the endowment is regarded as net appreciation and is classified as net assets without donor restrictions, which may be appropriated for expenditure consistent with donor restrictions and the Fund's Total Return Spending Policy.

Return objectives and risk parameters - The primary objective of the endowment fund is to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by the endowment.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment (continued)

Strategies employed for achieving objectives - To satisfy its investment objectives, the board of directors develops an overall investment strategy and invests in funds in accordance with the investment policy and guidelines.

Spending policy and how the investment objectives relate to spending policy - Under Massachusetts Uniform Prudent Management of Institutional Funds Act, subject to the donor's intent as expressed in a gift agreement or similar document, the Fund can spend the amount it deems prudent—even from an underwater fund (market value below historical gift value) —after considering the following factors:

- duration and preservation of the endowment fund;
- purposes of the institution and the endowment fund;
- general economic conditions;
- possible effects of inflation or deflation;
- expected total return from income and the appreciation of investments;
- other resources of the institution; and
- investment policy of the institution.

The base spending rate for endowments is 5% except for any endowments that are underwater at the end of the trailing 12-quarter measurement period. Endowment spending will be computed as the trailing 12-quarter average market value as of December 31st of the current year multiplied by the spending rate. The base endowment spending computation is calculated for each endowment fund.

The finance and investment committee of the Fund and board of directors will review the endowment spending policy periodically. Special situations may necessitate an amendment to the endowment spending policy as deemed appropriate by the board of directors.

Fair Value Measurements

The Fund follows the provisions of the FASB ASC Topic *Fair Value Measurements*. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

- Level 1** - Quoted market prices that are available in active markets for identical assets or liabilities. The types of financial instruments included in Level 1 are marketable securities that are traded in an active exchange market.
- Level 2** - Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The value of investments included in this category is determined using pricing models with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for investments measured at fair value, as well as their general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used in June 30, 2023 and 2022.

- Money market funds, common stock, mutual funds, exchange traded funds and fixed income funds - Investments whose values are based on quoted market prices in active markets are classified as Level 1. These investments include publicly traded money market funds, mutual funds, exchange traded funds, bonds and common stock. The fair values of the money market funds and mutual funds are determined using Net Asset Value ("NAV"). Such funds are registered under the Investment Company Act of 1940 and regularly transact purchases and redemptions at the NAV. These funds are required to publish their daily net asset value and to transact at that price. The funds held by the Fund are deemed to be actively 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 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.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or fair value, if received by donation. The Fund capitalizes expenditures for property and equipment in excess of \$2,500. Expenditures for major improvements are capitalized, while expenditures for routine maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets which are as follows:

<u>Asset</u>	<u>Years</u>
Software	3 - 7
Office furniture and equipment	3 - 7

Impairment of Long-Lived Assets

The Fund accounts for the valuation of long-lived assets in accordance with the guidance of FASB ASC Topic *Property, Plant and Equipment*. The FASB ASC Topic *Property, Plant and Equipment* requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At June 30, 2023 and 2022, management has determined that no long-lived assets are impaired.

Revenue Recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Fundraising Events

Revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under ASC Topic 606, the Fund recognizes revenue when it satisfies performance obligations by transferring control over a product or service to a customer. Fundraising events are comprised of event sponsorships, which are accounted for under ASC Topic 958, and ticket sales which are recognized under ASC Topic 606. Ticket sales revenue for events held by the Fund, is recognized when the event takes place. The Fund determines the transaction price based on the selling price of the tickets, adjusted for variable consideration, if any.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of probable uncollectible amounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. Management believes all outstanding contributions receivable are collectible during the years June 30, 2023 and 2022, therefore, no allowance has been recorded.

Contributions of assets other than cash are reported at their estimated fair value. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues with donor restrictions and the restrictions are considered to be released at the time the asset is placed in service.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among supporting services benefited on a reasonable basis that is consistently applied. Expenses allocated on the basis of time and effort or actual usage include salaries and related, consulting and professional services, office and other expenses, and equipment rental and maintenance.

Advertising

Advertising costs are charged to expense as incurred. The Fund did not have any advertising expenses during the years ended June 30, 2023 and 2022.

Income Taxes

The Fund is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Fund is subject to federal and state income taxes on unrelated business income, if any. The Fund files informational tax returns as required by the IRC.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Fund accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. This Topic also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. At June 30, 2023 and 2022, management believes that the Fund has no material uncertain tax positions.

Recently Issued But Not Yet Effective Accounting Pronouncements

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for private companies for fiscal years beginning after December 15, 2022, including interim periods within those annual reporting periods. The Fund is currently evaluating the impact of the new standard on its financial statements and related disclosures.

Subsequent Events

The Fund has evaluated all events subsequent to the statements of financial position date of June 30, 2023, through the date which the financial statements were available to be issued, September 21, 2023, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Fund's financial assets that are expected to be available as of June 30, 2023.

Cash and cash equivalents	\$ 4,308,582
Contributions receivable, net	1,241,078
Investments	<u>4,592,601</u>
Total financial assets available	10,142,261
Less financial assets with donor restrictions	<u>(2,858,892)</u>
Financial assets available in one year to meet cash needs for general expenditures	<u>\$ 7,283,369</u>

The Fund's goal is generally to maintain readily available financial assets to meet operating expenses on hand.

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component unit of the Trustees of the Public Library of the City of
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FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional gifts to be received in future periods and are discounted to their present value based on anticipated payment streams. The discount rate was 4.83% and 2.21% for the years ended June 30, 2023 and 2022, respectively. Unconditional contributions receivable at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Gross contributions receivable	\$ 1,267,986	\$ 747,746
Unamortized discount	<u>(26,908)</u>	<u>(2,608)</u>
Net contributions receivable	<u>\$ 1,241,078</u>	<u>\$ 745,138</u>
Gross contributions receivable:		
Receivable in less than one year	\$ 775,092	\$ 629,746
Receivable in one to two years	<u>492,894</u>	<u>118,000</u>
	<u>\$ 1,267,986</u>	<u>\$ 747,746</u>

NOTE 5. FAIR VALUE MEASUREMENTS

The following fair value hierarchy table presents information about investments measured at fair value on a recurring basis as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 12,645	\$ -	\$ -	\$ 12,645
Mutual funds:				
Core growth	418,231	-	-	418,231
International	339,856	-	-	339,856
Commingled	2,071,728	-	-	2,071,728
Common stock:				
Technology	279,059	-	-	279,059
Consumer growth	117,514	-	-	117,514
Financial	117,111	-	-	117,111
Consumer cyclicals	43,813	-	-	43,813
Consumer staples	43,398	-	-	43,398
Capital equipment	27,300	-	-	27,300
Services	25,337	-	-	25,337
Utilities	8,764	-	-	8,764
Energy	7,423	-	-	7,423
Non-financial	6,664	-	-	6,664
Fixed income funds:				
World bond	540,164	-	-	540,164
Intermediate core-plus bonds	<u>533,594</u>	<u>-</u>	<u>-</u>	<u>533,594</u>
	<u>\$ 4,592,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,592,601</u>

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NOTE 5. FAIR VALUE MEASUREMENTS (CONTINUED)

The following fair value hierarchy table presents information about investments measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Cash	\$ 10,614	\$ -	\$ -	\$ 10,614
Mutual funds:				
Core growth	366,359	-	-	366,359
International	294,460	-	-	294,460
Commingled	1,827,921	-	-	1,827,921
Common stock:				
Technology	218,152	-	-	218,152
Consumer growth	121,240	-	-	121,240
Financial	101,817	-	-	101,817
Consumer staples	39,479	-	-	39,479
Services	28,478	-	-	28,478
Consumer cyclical	27,274	-	-	27,274
Capital equipment	16,215	-	-	16,215
Utilities	9,987	-	-	9,987
Non-financial	5,826	-	-	5,826
Energy	5,058	-	-	5,058
Fixed income funds:				
World bond	540,178	-	-	540,178
Intermediate core-plus bonds	<u>537,150</u>	<u>-</u>	<u>-</u>	<u>537,150</u>
	<u>\$ 4,150,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,150,208</u>

NOTE 6. ENDOWMENT

Changes in endowment for the year ended June 30, 2023 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ -	\$ 1,490,131	\$ 1,490,131
Investment gains	-	176,252	176,252
Investment fees	-	(8,480)	(8,480)
Other increases	-	924	924
Appropriations	(37,712)	-	(37,712)
Releases from donor restrictions	<u>37,712</u>	<u>(37,712)</u>	<u>-</u>
Endowment, end of year	<u>\$ -</u>	<u>\$ 1,621,115</u>	<u>\$ 1,621,115</u>

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NOTE 6. ENDOWMENT (CONTINUED)

Changes in endowment for the year ended June 30, 2022 are summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ -	\$ 1,852,059	\$ 1,852,059
Investment loss	-	(274,892)	(274,892)
Investment fees	-	(10,150)	(10,150)
Other increases	-	9,476	9,476
Appropriations	(86,362)	-	(86,362)
Releases from donor restrictions	<u>86,362</u>	<u>(86,362)</u>	<u>-</u>
Endowment, end of year	<u>\$ -</u>	<u>\$ 1,490,131</u>	<u>\$ 1,490,131</u>

NOTE 7. PROPERTY AND EQUIPMENT

The Fund's property and equipment consists of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Software	\$ 13,319	\$ 13,319
Office furniture and equipment	<u>23,551</u>	<u>23,551</u>
	36,870	36,870
Less accumulated depreciation	<u>(24,097)</u>	<u>(20,733)</u>
Net property and equipment	<u>\$ 12,773</u>	<u>\$ 16,137</u>

NOTE 8. IN-KIND CONTRIBUTIONS

During the years ended June 30, 2023 and 2022, the Fund received and recognized \$48,000 and \$18,000 in donated rent which is included in the accompanying statements of activities and changes in net assets and statement of functional expenses as in-kind contributions and rent expense, respectively. Donations of rent is valued based on the square footage of the space utilized and the fair market value of the price per square foot for comparable spaces available in the local market.

BOSTON PUBLIC LIBRARY FUND, INC.
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NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Purpose restrictions:		
Children and teens	\$ 1,041,230	\$ 963,318
Norman B. Leventhal Map and Education Center	481,634	605,604
Adult programming	1,142,139	503,954
Exhibits	<u>12,889</u>	<u>20,889</u>
Total purpose restricted	2,677,892	2,093,765
Time restrictions	<u>181,000</u>	<u>136,000</u>
Total net assets with donor restrictions	<u>\$ 2,858,892</u>	<u>\$ 2,229,765</u>

Net assets with donor restrictions that are perpetual in nature at June 30, 2023 and 2022 totaled \$1,319,572, which are included in the above chart. The Fund's net assets with donor restrictions that are held in perpetuity are included in the Fund's endowment funds, which are restricted to generate income to be used to support teen programs, parochial school partnerships, children's music programs and the Martel Fund for children's programs.

Net assets are released from donor restrictions by incurring expenses or costs satisfying the restricted purpose or by occurrence of events specified by the donors. Net assets released from donor restrictions are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Adult programming	\$ 1,163,980	\$ 719,051
Children and teens	548,306	587,312
Norman B. Leventhal map and education center	185,993	238,757
Time restricted pledges	68,000	417,403
Exhibits	<u>25,268</u>	<u>34,806</u>
	<u>\$ 1,991,547</u>	<u>\$ 1,997,329</u>

NOTE 10. PAYCHECK PROTECTION PROGRAM

Paycheck Protection Program Second Draw Loan

In March 2021, the Fund received loan proceeds of \$124,565 under the Paycheck Protection Program Second Draw Loans ("PPP SD"). The second round of PPP funding, which was established as part of the Consolidated Appropriations Act, provides loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after twenty-four weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels. Not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component unit of the Trustees of the Public Library of the City of
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10. PAYCHECK PROTECTION PROGRAM (CONTINUED)

Paycheck Protection Program Second Draw Loan (continued)

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Fund has determined it most appropriate to account for the PPP SD loan proceeds under the debt model. Under the debt model, the Fund recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of the loan principal or interest until the period in which the Fund has been legally released from its obligation by the lender. The Fund deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP SD loan is a legal form of debt and there are significant contingencies outside of the control of the Fund mainly related to the third-party approval process for forgiveness.

The Fund applied for PPP SD loan forgiveness and received approval from the Small Business Administration ("SBA") in September 2021. For the year ended June 30, 2022, the Fund has recorded \$124,565 of forgiveness on the accompanying statement of activities and changes in net assets as "Forgiveness of Paycheck Protection Program loan". If it is determined that the Fund was not eligible to receive the PPP SD Loans or that the Fund has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, the Fund could be subject to penalties and could be required to repay the amounts previously forgiven.

NOTE 11. CONCENTRATION OF REVENUE

During the years ended June 30, 2023 and 2022, the Fund received approximately 49% and 17% of its donations from one donor, respectively. There was no receivable balance associated with this donor as of June 30, 2023 and 2022.

NOTE 12. RELATED PARTY TRANSACTION

During the years ended June 30, 2023 and 2022, the Fund provided grants of \$2,558,416 and \$1,984,743 to the Library, respectively. As of June 30, 2023, there were no amounts outstanding due to the Library.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Executive Committee
Boston Public Library Fund, Inc.
Boston, Massachusetts

We have audited, in accordance with the 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, the financial statements of Boston Public Library Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boston Public Library Fund, Inc.'s internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boston Public Library Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Boston Public Library Fund, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boston Public Library Fund, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Boston Public Library Fund, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Boston Public Library Fund, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Boston Public Library Fund, Inc.'s response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boston Public Library Fund, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
September 21, 2023

BOSTON PUBLIC LIBRARY FUND, INC.
(A Component Unit of the Trustees of the Public Library of the
City of Boston for Financial Reporting Purposes Only)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

2023-001: Effectiveness of the Year End Closing Procedures

Criteria: Ineffective internal control and review over the year-end reconciliations of certain accounts of the Boston Public Library Fund, Inc.

Condition: Certain accounts were not properly reconciled or properly recognized in accordance with generally accepted accounting principles for the year ended June 30, 2023.

Effect: The errors resulted in adjustments to year-end balances.

Cause: It was noted that the Fund has documented procedures in place, however, certain year-end procedures were not executed in a timely manner and resulted in certain accounts not being reconciled until year end. With the year-end close requiring more time than the monthly close, not all year-end reconciliations were properly reviewed, resulting in required adjustments.

Recommendation: It is recommended that the Fund reconcile all account balances on a monthly or quarterly basis and allow sufficient time for an effective review process to take place.

Views of Responsible Officials and Planned Corrective Action: The Fund will continue to reconcile all accounts monthly and will add the monthly reconciliation of sub ledger for net assets. The Fund will extend its year-end review process.