

HARTFORD PUBLIC LIBRARY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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**HARTFORD PUBLIC LIBRARY
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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hartford Public Library
Hartford, Connecticut

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Hartford Public Library, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for 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 Hartford Public Library 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hartford Public Library and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2023, Hartford Public Library adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Hartford Public Library's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



CliftonLarsonAllen LLP

West Hartford, Connecticut
November 2, 2023

**HARTFORD PUBLIC LIBRARY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Cash	\$ 885,890	\$ 857,453
Investments	31,715,636	26,058,174
Accounts Receivable	440,300	89,677
Contributions Receivable	3,829,513	3,532,526
Prepaid Expenses	85,104	86,795
Property and Equipment, Net	7,308,962	8,128,540
Right-of-Use Assets, Net	90,283	-
Total Assets	\$ 44,355,688	\$ 38,753,165
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 266,493	\$ 386,802
Deferred Revenue	525,919	22,403
Lease Liabilities	94,283	-
Total Liabilities	886,695	409,205
NET ASSETS		
Without Donor Restrictions	37,738,756	33,372,612
With Donor Restrictions	5,730,237	4,971,348
Total Net Assets	43,468,993	38,343,960
Total Liabilities and Net Assets	\$ 44,355,688	\$ 38,753,165

See accompanying Notes to Financial Statements.

**HARTFORD PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
City Appropriation	\$ 8,663,336	\$ -	\$ 8,663,336
Donated Services and Goods	2,559,469	-	2,559,469
Contributions	3,946,107	1,098,117	5,044,224
Grants	705,650	-	705,650
Special Events	532,964	-	532,964
Investment Return, Net	2,173,676	310,429	2,484,105
Service Fees	69,269	-	69,269
Other Revenue	758,232	-	758,232
Net Assets Released from Restrictions	649,657	(649,657)	-
Total Revenue, Support, and Gains	20,058,360	758,889	20,817,249
EXPENSES AND LOSSES			
Program	14,367,450	-	14,367,450
Management and General	1,862,685	-	1,862,685
Fundraising	430,119	-	430,119
Total Expenses and Losses	16,660,254	-	16,660,254
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	3,398,106	758,889	4,156,995
OTHER CHANGES IN NET ASSETS			
Insurance Proceeds, Net of Expenses	968,038	-	968,038
TOTAL CHANGE IN NET ASSETS	4,366,144	758,889	5,125,033
Net Assets - Beginning of Year	33,372,612	4,971,348	38,343,960
NET ASSETS - END OF YEAR	\$ 37,738,756	\$ 5,730,237	\$ 43,468,993

See accompanying Notes to Financial Statements.

**HARTFORD PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
City Appropriation	\$ 8,550,590	\$ -	\$ 8,550,590
Donated Services and Goods	2,903,325	-	2,903,325
Contributions	9,944,117	418,933	10,363,050
Grants	809,172	-	809,172
Special Events	761,834	-	761,834
Investment Return, Net	(2,828,562)	(311,217)	(3,139,779)
Service Fees	41,763	-	41,763
Other Revenue	447,561	-	447,561
Net Assets Released from Restrictions	934,850	(934,850)	-
Total Revenue, Support, and Gains	<u>21,564,650</u>	<u>(827,134)</u>	<u>20,737,516</u>
EXPENSES AND LOSSES			
Program	13,742,267	-	13,742,267
Management and General	1,706,038	-	1,706,038
Fundraising	455,676	-	455,676
Total Expenses and Losses	<u>15,903,981</u>	<u>-</u>	<u>15,903,981</u>
CHANGE IN NET ASSETS	5,660,669	(827,134)	4,833,535
Net Assets - Beginning of Year	<u>27,711,943</u>	<u>5,798,482</u>	<u>33,510,425</u>
NET ASSETS - END OF YEAR	<u>\$ 33,372,612</u>	<u>\$ 4,971,348</u>	<u>\$ 38,343,960</u>

See accompanying Notes to Financial Statements.

**HARTFORD PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 5,659,673	\$ 723,912	\$ 197,430	\$ 6,581,015
Employee Benefits	1,522,678	171,286	16,910	1,710,874
In-Kind Rent	2,290,848	229,085	25,454	2,545,387
Depreciation	1,420,120	142,012	15,779	1,577,911
Professional Services and Fees	1,027,446	301,384	41,098	1,369,928
Contributions	849,616	108,672	29,638	987,926
Program Expense	363,036	37,044	62,976	463,056
Repair and Maintenance	264,871	11,271	5,636	281,778
Occupancy	235,662	23,566	2,619	261,847
Information Technology	215,340	24,196	2,420	241,956
Supplies	188,239	-	-	188,239
Office Expense	114,667	10,307	3,865	128,839
Miscellaneous	79,341	49,463	-	128,804
Advertising	50,357	8,393	25,179	83,929
Conferences and Meetings	28,295	15,236	-	43,531
Travel	26,870	5,639	663	33,172
Scholarship	18,266	-	-	18,266
Insurance	8,854	796	298	9,948
Bank Fees	3,271	423	154	3,848
Total Expenses	<u>\$ 14,367,450</u>	<u>\$ 1,862,685</u>	<u>\$ 430,119</u>	<u>\$ 16,660,254</u>

See accompanying Notes to Financial Statements.

**HARTFORD PUBLIC LIBRARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 5,183,232	\$ 662,972	\$ 180,810	\$ 6,027,014
Employee Benefits	1,464,332	131,625	49,359	1,645,316
In-Kind Rent	2,290,848	203,631	50,908	2,545,387
Depreciation	1,342,669	119,349	29,837	1,491,855
Professional Services and Fees	987,301	289,607	39,492	1,316,400
Contributions	977,704	125,055	34,106	1,136,865
Occupancy	360,497	32,044	8,011	400,552
Program Expense	222,810	22,736	38,651	284,197
Repair and Maintenance	227,833	9,695	4,848	242,376
Supplies	207,259	-	-	207,259
Information Technology	179,825	18,185	4,041	202,051
Miscellaneous	108,924	67,903	-	176,827
Office Expense	125,671	11,296	4,236	141,203
Advertising	17,713	1,476	10,333	29,522
Travel	13,832	2,903	342	17,077
Conferences and Meetings	10,504	5,656	-	16,160
Bank Fees	8,835	1,143	416	10,394
Insurance	8,478	762	286	9,526
Scholarship	4,000	-	-	4,000
Total Expenses	<u>\$ 13,742,267</u>	<u>\$ 1,706,038</u>	<u>\$ 455,676</u>	<u>\$ 15,903,981</u>

See accompanying Notes to Financial Statements.

**HARTFORD PUBLIC LIBRARY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,125,033	\$ 4,833,535
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	(2,484,105)	3,047,738
Depreciation	1,577,911	1,491,855
Donated Property and Equipment	-	(336,723)
Noncash Lease Expense	4,000	-
(Increase) Decrease in Operating Assets and Liabilities:		
Accounts Receivable	(350,623)	352,955
Contributions Receivable	(296,987)	(3,036,803)
Prepaid Expenses	1,691	16,487
Accounts Payable and Accrued Expenses	(120,309)	318,121
Deferred Revenue	503,516	(14,294)
Refundable Advance	-	(87,595)
Net Cash Provided by Operating Activities	3,960,127	6,585,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(10,000,000)	(6,691,671)
Proceeds From Sale of Investments	6,826,643	708,408
Purchases of Property and Equipment	(758,333)	(812,208)
Net Cash Used by Investing Activities	(3,931,690)	(6,795,471)
NET CHANGE IN CASH	28,437	(210,195)
Cash - Beginning of Year	857,453	1,067,648
CASH - END OF YEAR	\$ 885,890	\$ 857,453

See accompanying Notes to Financial Statements.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Hartford Public Library (the Library) was incorporated in 1935 as a nonprofit organization with the primary mission to promote and support literacy and learning, to provide free and open access to information and ideas, and to help people participate in our democratic society. The Library offers an extensive variety of programs and services for multiple age groups that target a wide spectrum of needs and interests. Major programs and services provided are library services, youth services, job and career center services, multicultural programs, and civic engagement programs.

The Library's primary source of funding comes from an annual appropriation from the city of Hartford (the City). The City sought and received a pledge from corporations to support the City's funding, to fund, among other things, the operating budget for the Library for fiscal years 2023 and 2022. For 2023 and 2022 operations, the Library directly received contributions amounting to \$10,000,000 from corporations to support the City's funding for operations during the years ended June 30, 2023 and 2022, and these are reflected in Contributions on the statements of activities for the years ended June 30, 2023 and 2022.

In December 2022, the Library experienced a disruption to operations due to flooding which caused damage to the facilities and various equipment at the Downtown location. As a result of this disruption and damage, additional depreciation expense was incurred as certain assets were fully depreciated, which is reflected within property and equipment on the statement of financial position. The Library received \$2,187,961 in insurance proceeds and incurred \$1,219,923 of expenses as a result of the disruption. The net amount of \$968,038 is recognized within other changes in net assets on the statements of activities.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Library adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available.

The Library has elected to adopt the package of practical expedients available in the year of adoption. The Library has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Library's ROU assets.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Library elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs

before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the Library elected the hindsight practical expedient to determine the lease term for existing leases. The election of the hindsight practical expedient did not result in any changes to existing lease terms.

As a result of the adoption of the new lease accounting guidance, the Library recognized on July 1, 2022 a lease liability of \$138,490, which represents the present value of the remaining operating lease payments of \$144,475, discounted using the risk free rate of return of 2.84%, and a right-of-use asset of \$138,490.

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Library's accounting for finance leases remained substantially unchanged.

Basis of Accounting and Presentation

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Library are reported in the following net asset categories: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the board of directors. The board of directors has designated a portion of its net assets without donor restrictions for the purposes of funds functioning as an endowment.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent 1) contributions that are restricted by the donor as to purpose or time of expenditure, 2) resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Library to expend the income earned thereon, and 3) the accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Cash

The Library maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Library's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses on investments include the Library's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income on donor-restricted endowment assets whose restrictions are met in the same period are classified as increases or decreases in net assets without donor restrictions.

Property and Equipment

Property and equipment acquisitions and improvements thereon, including donated property and equipment as discussed in the donated services and goods section below, that individually exceed \$1,500 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the life of the improvement or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

Leases

The Library leases space for library branches and office equipment under noncancelable operating leases with terms of more than one year. The Library determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) operating lease assets and ROU operating lease liabilities on the statement of financial position for the year ended June 30, 2023.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Library's right to use an underlying asset for the lease term and lease liabilities represent the Library's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Library uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Library will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Library has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Library has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Library's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Library has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The risk-free discount rate used was 2.84% and was the U.S Treasury Rates as of the inception of the lease for the remaining term of each lease.

Collections

In accordance with GAAP, the Library does not capitalize donated works of art or recognize them as revenues or gains. GAAP provides that such donations need not be recognized if they are added to collections that are held for public examination, education, or research in the furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used for acquisition of other collection items, the direct care of existing collections, or both.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Including Government Grants and Contracts

In accordance with GAAP, certain governmental grants and contracts received by a nonprofit are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Library. Promises to give that are subject to donor-imposed conditions (i.e., a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Library reports contributions of cash and other assets as donor-restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as Net Assets Released from Restrictions. Contributions received whose restrictions are met in the same period are presented as net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as Deferred Revenue on the accompanying statements of financial position.

Conditional government grants and contracts not recognized as revenue as of June 30, 2023 and 2022, total \$525,919 and \$22,403, respectively. Government grants and contracts are conditioned on incurring qualified program expenses.

Donated Services and Goods

The Library recognizes donated services if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

See Note 12 for further information regarding donated services and goods.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses are allocated based on time and effort or usage.

Income Taxes

The Library is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to confirm to the current year presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 2, 2023, which represents the date the financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS

GAAP establish a framework for measuring fair value. That framework provides 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 (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Library has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets in active markets;
- quoted prices for identical or similar assets in inactive markets;
- inputs other than quoted prices that are observable for the asset;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of these investments is not included in the fair value hierarchy.

Money Market – Money market funds are valued at the quoted price of shares held by the Library at year-end.

Equities, Real Estate, and Fixed Income – Equities, real assets, and fixed income are valued at the fair value reported in the active market.

There have been no changes in the methodologies used at June 30, 2023 and 2022.

The following tables set forth by level, within the fair value hierarchy, the Library's assets at fair value as of June 30:

	2023			
	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Money Market	\$ 13,494,306	\$ 13,494,306	\$ -	\$ -
Equities:				
U.S. Large Cap	9,277,549	9,277,549	-	-
U.S. Mid Cap	9,418	9,418	-	-
U.S. Small Cap	969,264	969,264	-	-
International Developed	2,381,010	2,381,010	-	-
Other	567,074	567,074	-	-
Real Assets	255,634	255,634	-	-
Fixed Income	4,761,381	4,761,381	-	-
Total Assets at Fair Value	<u>\$ 31,715,636</u>	<u>\$ 31,715,636</u>	<u>\$ -</u>	<u>\$ -</u>
	2022			
	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Money Market	\$ 8,611,052	\$ 8,611,052	\$ -	\$ -
Equities:				
U.S. Large Cap	8,250,241	8,250,241	-	-
U.S. Mid Cap	758,972	758,972	-	-
U.S. Small Cap	896,783	896,783	-	-
International Developed	1,769,779	1,769,779	-	-
Other	300,445	300,445	-	-
Real Assets	273,947	273,947	-	-
Fixed Income	5,196,955	5,196,955	-	-
Total Assets at Fair Value	<u>\$ 26,058,174</u>	<u>\$ 26,058,174</u>	<u>\$ -</u>	<u>\$ -</u>

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 FAIR VALUE MEASUREMENTS (CONTINUED)

There were no transfers between levels of investments during the years ended June 30, 2023 and 2022.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give that are due in less than one year totaling \$3,829,513 and \$3,532,526 at June 30, 2023 and 2022, respectively. Based on an assessment of outstanding balances, management has concluded that no reserve is deemed necessary at June 30, 2023 and 2022.

NOTE 4 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30:

	2023	2022
Land	\$ 198,200	\$ 198,200
Leasehold Improvements	11,748,282	11,479,916
Library Material	4,578,001	4,303,116
Buildings	1,089,480	1,089,480
Furniture and Fixtures	2,768,219	2,675,442
Computers and Equipment	1,783,293	1,693,851
Vehicles	133,284	133,284
Building Improvements	54,358	54,358
Construction in Process	32,863	-
Total	22,385,980	21,627,647
Less: Accumulated Depreciation	15,077,018	13,499,107
Property and Equipment, Net	\$ 7,308,962	\$ 8,128,540

Depreciation expense totaled \$1,577,911 and \$1,491,855 for the years ended June 30, 2023 and 2022, respectively.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2023 and 2022, net assets were released from restrictions by incurring expenses satisfying donor stipulations for various programs of \$649,657 and \$934,850, respectively.

Net assets with donor restrictions are available for the following purposes as of June 30:

	2023	2022
Endowment Funds Restricted for Perpetuity	\$ 4,076,272	\$ 4,076,272
Restricted by Purpose or Time:		
Donor Stipulations for Various Programs	1,238,446	789,986
Accumulated Gains (Losses) and Income		
Available for Appropriation	310,429	-
Capital Improvements	105,090	105,090
Total Net Assets With Donor Restrictions	\$ 5,730,237	\$ 4,971,348

NOTE 6 ENDOWMENT

The Library's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Library has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with CTUPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Library and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Library
- The investment policies of the Library

Endowment Composition

Endowment net asset composition as of June 30 is as follows:

June 30, 2023	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 15,045,544	\$ -	\$ 15,045,544
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	4,076,272	4,076,272
Accumulated Gains (Losses) and Income Available for Appropriation	-	310,429	310,429
Total Funds	\$ 15,045,544	\$ 4,386,701	\$ 19,432,245
<hr style="border: 0.5px solid black;"/>			
June 30, 2022			
Board-Designated Endowment Funds	\$ 14,005,365	\$ -	\$ 14,005,365
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	4,076,272	4,076,272
Accumulated Gains and Income Available for Appropriation	-	-	-
Total Funds	\$ 14,005,365	\$ 4,076,272	\$ 18,081,637

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 ENDOWMENT (CONTINUED)

Endowment Composition (Continued)

Changes in endowment net assets for the years ended June 30 are as follows:

<u>June 30, 2023</u>	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ 14,005,365	\$ 4,076,272	\$ 18,081,637
Investment Return, Net	1,731,330	322,741	2,054,071
Appropriation of Endowment Assets for Expenditure	<u>(691,151)</u>	<u>(12,312)</u>	<u>(703,463)</u>
Endowment Net Assets - End of Year	<u>\$ 15,045,544</u>	<u>\$ 4,386,701</u>	<u>\$ 19,432,245</u>
<u>June 30, 2022</u>			
Endowment Net Assets - Beginning of Year	\$ 17,385,417	\$ 4,387,489	\$ 21,772,906
Investment Return, Net	(2,728,698)	(296,804)	(3,025,502)
Appropriation of Endowment Assets for Expenditure	<u>(651,354)</u>	<u>(14,413)</u>	<u>(665,767)</u>
Endowment Net Assets - End of Year	<u>\$ 14,005,365</u>	<u>\$ 4,076,272</u>	<u>\$ 18,081,637</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires the Library to maintain as a fund of perpetual duration. In accordance with GAAP, there were no deficiencies of this nature that are reported in net assets with donor restrictions as of June 30, 2023 and 2022.

Return Objectives and Risk Parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a revenue stream while also maintaining or increasing the inflation-adjusted value of the endowment to maintain intergenerational equity for funding of ongoing operations, special initiatives, and capital projects in support of the Library.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Library relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Library targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints. The Library seeks to achieve investment results over the long-term that exceed the target blended benchmark of 65% MSCI All Country World Index and 35% Barclays-Aggregate Bond Index by 1% per annum and exceed the inflation plus the spending policy per annum.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 6 ENDOWMENT (CONTINUED)

Spending Policy

The Library has adopted a policy to support the Library and to preserve the value of the investment portfolio over time. Specifically, 4% of the average of the fair value of certain investments for the previous 12 quarters, ending March 31, is appropriated to support the Library. The amount appropriated for the years ended June 30, 2023 and 2022 was 4%. The Library has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE 7 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Library's financial assets available within one year of the statement of financial position date for general expenditure as of June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 885,890	\$ 857,453
Accounts Receivable, Net	440,300	89,677
Contributions Receivable	<u>3,829,513</u>	<u>3,532,526</u>
Total Financial Assets	5,155,703	4,479,656
Less: Amounts Included in Contributions Receivable that are Restricted by Purpose or Board Designated	<u>3,829,513</u>	<u>3,532,526</u>
Financial Assets Available Within One Year	1,326,190	947,130
Board-Approved Endowment Draw for Future Fiscal Year	<u>524,340</u>	<u>519,406</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u><u>\$ 1,850,530</u></u>	<u><u>\$ 1,466,536</u></u>

Liquidity Management

The Library maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Library invests cash in excess of weekly requirements in short-term investments. The Library's governing board has designated \$15,045,544 of its resources without donor restrictions for endowment. These funds are invested for long-term appreciation and current income. Additionally, the Library's governing board has designated \$12,283,391 of its resources without donor restrictions for capital projects. These funds are invested for short-term appreciation and current income. The board designated amounts remain available and may be spent at the discretion of the board. In addition to financial assets available to meet general expenditures over the next 12 months, the Library operates with a balanced budget and anticipates collecting sufficient revenue and utilizing approved appropriation of endowment assets to cover general expenditures.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 RELATED PARTY TRANSACTIONS

The Library is a component fund of the City and it receives an annual appropriation from the City to support general operations and program services. The appropriation received for the years ended June 30, 2023 and 2022, was \$8,663,336 and \$8,550,590, respectively. For the years ended June 30, 2023 and 2022, corporate contributions of \$10,000,000 and \$10,000,000, respectively, were provided to assist the City in supporting the Library.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Library participated in a number of federal- and state-assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in liabilities to grantors. The Library is not aware of any such liabilities at June 30, 2023 and 2022.

NOTE 10 LEASES – ASC 842

The Library leases space for library branches with various terms through June 30, 2025. The Library also leases office equipment under noncancelable operating leases with terms of more than one year.

The following table provides quantitative information concerning the Library's leases:

	<u>2023</u>
Lease Cost:	
Operating Lease Cost	<u>\$ 51,576</u>
Other Information:	
Cash Paid for Amounts included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 47,576
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	\$ 138,490
Weighted-Average Remaining Lease Tterm - Operating Leases	1.8 Years
Weighted-Average Discount Rate - Operating Leases	2.85%

The Library classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>2023</u>
2024	\$ 53,576
2025	<u>43,323</u>
Undiscounted cash flows	96,899
(Less) Imputed interest	<u>(2,616)</u>
Total present value	<u>\$ 94,283</u>

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 LEASES – ASC 840

The Library leases space for library branches with various terms through June 30, 2025. The Library also leases office equipment under noncancelable operating leases with terms of more than one year.

Future minimum lease payments under operating leases that have minimum remaining terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 47,576
2024	47,576
2025	7,323
Total Minimum Lease Payments	<u><u>\$ 102,475</u></u>

NOTE 12 DONATED SERVICES AND GOODS

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized in the statements of activities included:

	<u>Revenue Recognized 2023</u>	<u>Revenue Recognized 2022</u>	<u>Utilization in Programs/ Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Rent	\$ 2,545,387	2,545,387	Programs, General and Administrative, Fundraising	No associated donor restrictions	Value was based upon rental agreement rates and square footage.
Property and Equipment	\$ -	336,723	Programs, General and Administrative, Fundraising	No associated donor restrictions	Value was based upon the fair value of the property and equipment.
Special Event Goods and Services	\$ 14,082	21,215	Programs and Fundraising	No associated donor restrictions	Values were provided by the donor and appear reasonable when compared to the market rate of the same items.

**HARTFORD PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 13 PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Library received a Paycheck Protection Program (PPP) loan of \$1,322,617 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Library considers PPP loans to be conditional contributions, with a right of return in the form of an obligation to be repaid if barriers to entitlement are not met. These barriers include incurring qualifying expenses and maintaining certain levels of employee headcount and salary during a measurement period. The Library considers reviews of the application for forgiveness by the lender and the SBA as well as potential audits to be administrative in nature rather than barriers to entitlement. During the year ended June 30, 2020, the Library recognized \$1,268,106 grants income based on the amount of qualifying expenditures incurred and employee headcount and salary levels maintained through June 30, 2020. The remaining balance of \$54,511 of the PPP loan at June 30, 2020, was classified as a refundable advance. During the year ended June 30, 2021, the Library received notice that its PPP loan amount was reduced by \$33,084. Such amount has been included in refundable advance as of June 30, 2021.

The Library received notice on February 2, 2022, that \$1,234,443 was forgiven. In February 2022, the Library refunded the unforgiven portion of the PPP loan in the amount of \$87,595.

The Library received notice on May 23, 2023, that the portion of the PPP loan that was refunded had been reconsidered and had been forgiven. The Library recorded \$89,718, which represents principal and interest for the reconsideration, within other revenue on the statement of activities for the year ended June 30, 2023.