

# **Carnegie Library of Pittsburgh**

## Consolidated Financial Statements

Years Ended December 31, 2023 and 2022  
with Independent Auditor's Report

**MaherDuessel**

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# CARNEGIE LIBRARY OF PITTSBURGH

YEARS ENDED DECEMBER 31, 2023 AND 2022

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## Independent Auditor's Report

**Board of Trustees  
Carnegie Library of Pittsburgh**

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of the Carnegie Library of Pittsburgh (Library) and affiliate, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Library and affiliate, as of December 31, 2023 and 2022, and the changes in their net assets and their 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the 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.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library'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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

*Maheer Duessel*

Pittsburgh, Pennsylvania  
May 17, 2024

**CARNEGIE LIBRARY OF PITTSBURGH**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022

<b>Assets</b>	2023	2022
<b>Current assets:</b>		
Cash and cash equivalents - operating (Note 2)	\$ 21,231,478	\$ 14,045,214
Cash and cash equivalents - capital (Note 2)	4,332,153	6,025,281
Cash and cash equivalents - endowment (Note 2)	84,059	8,125
Other receivables (Note 2)	2,105,619	7,411,223
Pledge receivables, current (Note 3)	387,058	161,858
Prepaid expenses	1,370,902	1,474,022
Other current assets	256,849	262,220
Total current assets	29,768,118	29,387,943
<b>Non-current assets:</b>		
Bellefield Boiler Plant reserve	14,174	14,174
Pledge receivables, non-current, net of discount (Note 3)	77,845	117,854
Right-of-use asset - financing lease (Note 12)	144,314	452,954
Right-of-use asset - operating lease (Note 12)	4,991,220	5,080,667
Total non-current assets	5,227,553	5,665,649
<b>Long-term investments:</b>		
Investments - operating reserve (Note 5 & 6)	12,961,564	9,305,882
Investments - capital (Note 5 & 6)	2,406,170	2,046,465
Investments - endowment (Note 5, 6 & 7)	24,015,214	19,714,014
Investments - stock (Note 5 & 6)	10,404,619	10,897,406
Value of share in split-interest agreements (Note 5 & 6)	1,656,837	1,471,538
Total long-term investments	51,444,404	43,435,305
<b>Other assets:</b>		
Investments restricted to collection items not capitalized (Note 10)	6,627,149	6,045,334
Land, buildings, and equipment, net (Note 4)	56,302,057	55,583,545
Total other assets	62,929,206	61,628,879
<b>Total Assets</b>	\$ 149,369,281	\$ 140,117,776
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,354,379	\$ 2,075,906
Accrued salaries, wages, and related payroll taxes	1,128,285	1,020,341
Bonds payable, current (Note 14)	860,000	825,000
Current portion of lease liability - financing lease (Note 12)	144,794	310,247
Current portion of lease liability - operating lease (Note 12)	408,289	408,830
Total current liabilities	5,895,747	4,640,324
<b>Long-term liabilities:</b>		
Bond payable, non-current, net (Note 14)	3,218,111	4,115,792
Non-current portion of lease liability - financing lease (Note 12)	-	144,795
Non-current portion of lease liability - operating lease (Note 12)	4,582,931	4,671,836
Total long-term liabilities	7,801,042	8,932,423
Total Liabilities	13,696,789	13,572,747
<b>Net Assets:</b>		
Without donor restrictions	97,832,307	93,954,162
With donor restrictions (Note 8)	37,840,185	32,590,867
Total Net Assets	135,672,492	126,545,029
<b>Total Liabilities and Net Assets</b>	\$ 149,369,281	\$ 140,117,776

See accompanying notes to consolidated financial statements.

# CARNEGIE LIBRARY OF PITTSBURGH

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Public Support, Revenues, and Gains</b>			
Allegheny County Regional Asset District	\$ 25,049,069	\$ -	\$ 25,049,069
Allegheny County	-	511,772	511,772
City of Pittsburgh	62,420	-	62,420
Library tax	4,836,235	-	4,836,235
Commonwealth of Pennsylvania	5,424,894	619,598	6,044,492
Other government sources	323	-	323
Fundraising - private	1,263,804	4,499,529	5,763,333
Other income	193,386	-	193,386
Insurance proceeds (Note 4)	2,550,686	-	2,550,686
Investment return designated for current operations	1,107,407	805,762	1,913,169
	<u>40,488,224</u>	<u>6,436,661</u>	<u>46,924,885</u>
Net assets released from restrictions (Note 9)	5,119,506	(5,119,506)	-
Total operating public support, revenues, and gains	<u>45,607,730</u>	<u>1,317,155</u>	<u>46,924,885</u>
<b>Operating Expenses:</b>			
Program services	37,539,512	-	37,539,512
Management and general	5,126,190	-	5,126,190
Fundraising	1,084,411	-	1,084,411
Total operating expenses	<u>43,750,113</u>	<u>-</u>	<u>43,750,113</u>
Excess (deficiency) of operating public support, revenues, and gains over operating expenses	<u>1,857,617</u>	<u>1,317,155</u>	<u>3,174,772</u>
<b>Nonoperating Support, Revenues, and Gains:</b>			
Change in fair value of split-interest agreements	-	124,633	124,633
Investment return, net	1,633,141	3,300,172	4,933,313
Net assets released from restrictions for capital expenses (Note 9)	387,387	(387,387)	-
Total nonoperating support, revenues, and gains	<u>2,020,528</u>	<u>3,037,418</u>	<u>5,057,946</u>
<b>Change in Net Assets Related to Collection Items Not Capitalized:</b>			
Investment return on insurance proceeds	-	894,745	894,745
Total change in net assets related to collection items not capitalized	<u>-</u>	<u>894,745</u>	<u>894,745</u>
<b>Change in Net Assets</b>	<u>3,878,145</u>	<u>5,249,318</u>	<u>9,127,463</u>
<b>Net Assets:</b>			
Beginning of year	93,954,162	32,590,867	126,545,029
End of year	<u>\$ 97,832,307</u>	<u>\$ 37,840,185</u>	<u>\$ 135,672,492</u>

See accompanying notes to consolidated financial statements.

# CARNEGIE LIBRARY OF PITTSBURGH

## CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Public Support, Revenues, and Gains</b>			
Allegheny County Regional Asset District	\$ 22,922,182	\$ -	\$ 22,922,182
Allegheny County	-	-	-
City of Pittsburgh	57,636	-	57,636
Library tax	4,796,216	-	4,796,216
Commonwealth of Pennsylvania	6,728,583	1,226,826	7,955,409
Other government sources	5,755,374	-	5,755,374
Fundraising - private	1,091,860	2,465,287	3,557,147
Other income	150,053	-	150,053
Insurance proceeds	-	-	-
Investment return designated for current operations	354,913	306,264	661,177
	41,856,817	3,998,377	45,855,194
Net assets released from restrictions	3,901,441	(3,901,441)	-
Total operating public support, revenues, and gains	45,758,258	96,936	45,855,194
<b>Operating Expenses:</b>			
Program services	33,244,726	-	33,244,726
Management and general	4,327,206	-	4,327,206
Fundraising	1,132,165	-	1,132,165
Total operating expenses	38,704,097	-	38,704,097
Excess (deficiency) of operating public support, revenues, and gains over operating expenses	7,054,161	96,936	7,151,097
<b>Nonoperating Support, Revenues, and Gains:</b>			
Change in fair value of split-interest agreements	-	(322,893)	(322,893)
Investment return, net	(3,862,347)	(3,530,352)	(7,392,699)
Net assets released from restrictions for capital expenses	294,153	(294,153)	-
Total nonoperating support, revenues, and gains	(3,568,194)	(4,147,398)	(7,715,592)
<b>Change in Net Assets Related to Collection Items Not Capitalized:</b>			
Investment return on insurance proceeds	-	(963,476)	(963,476)
Total change in net assets related to collection items not capitalized	-	(963,476)	(963,476)
<b>Change in Net Assets</b>	<b>3,485,967</b>	<b>(5,013,938)</b>	<b>(1,527,971)</b>
<b>Net Assets:</b>			
Beginning of year	90,468,195	37,604,805	128,073,000
End of year	\$ 93,954,162	\$ 32,590,867	\$ 126,545,029

See accompanying notes to consolidated financial statements.

# CARNEGIE LIBRARY OF PITTSBURGH

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 15,661,247	\$ 2,496,433	\$ 687,422	\$ 18,845,102
Collections	5,601,733	732	-	5,602,465
Benefits and payroll taxes	4,409,429	686,386	157,102	5,252,917
Occupancy	5,643,511	62,295	-	5,705,806
Depreciation and amortization	3,201,575	308,639	-	3,510,214
Professional services	1,041,709	584,482	93,337	1,719,528
Supplies and expenses	1,139,605	178,002	81,346	1,398,953
Information technology	473,559	280,589	1,597	755,745
Advertising and promotion	69,490	221,083	59,485	350,058
Interest	107,319	930	-	108,249
Insurance	25,320	249,975	-	275,295
Conferences, conventions, and meetings	94,633	44,865	1,056	140,554
Travel	7,845	11,779	3,066	22,690
Vehicle expense	62,537	-	-	62,537
	<u>\$ 37,539,512</u>	<u>\$ 5,126,190</u>	<u>\$ 1,084,411</u>	<u>\$ 43,750,113</u>

See accompanying notes to consolidated financial statements.

# CARNEGIE LIBRARY OF PITTSBURGH

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 14,636,118	\$ 2,089,492	\$ 688,991	\$ 17,414,601
Collections	5,179,684	1,704	291	5,181,679
Benefits and payroll taxes	4,138,829	597,366	157,709	4,893,904
Occupancy	3,608,410	3,132	1,325	3,612,867
Depreciation and amortization	3,211,672	312,231	-	3,523,903
Professional services	791,440	433,791	91,472	1,316,703
Supplies and expenses	800,075	189,568	102,460	1,092,103
Information technology	483,687	220,922	5,353	709,962
Advertising and promotion	33,983	244,158	80,349	358,490
Interest	170,046	2,923	-	172,969
Insurance	25,200	200,190	-	225,390
Conferences, conventions, and meetings	82,310	25,377	2,027	109,714
Travel	5,378	6,352	2,188	13,918
Vehicle expense	77,894	-	-	77,894
	<b>\$ 33,244,726</b>	<b>\$ 4,327,206</b>	<b>\$ 1,132,165</b>	<b>\$ 38,704,097</b>

See accompanying notes to consolidated financial statements.

# CARNEGIE LIBRARY OF PITTSBURGH

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 9,127,463	\$ (1,527,971)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	3,510,214	3,523,903
Investment return, net	(5,176,101)	7,700,762
Contributions restricted for long-term purposes	(1,842,931)	(1,936,950)
Earnings on insurance proceeds restricted to collection items not capitalized	(894,745)	963,476
Changes in assets and liabilities:		
Receivables	5,120,415	(4,575,429)
Prepaid expenses	103,120	(352,779)
Other current assets	5,371	8,289
Accounts payable and accrued expenses	826,165	(507,813)
Accrued salaries, wages, and related payroll taxes	107,944	(8,723)
Net cash provided by (used in) operating activities	10,886,915	3,286,765
<b>Cash Flows From Investing Activities:</b>		
Purchase of land, building and equipment	(3,444,527)	(1,136,703)
Proceeds from sale of investments	796,579	712,062
Purchase of investments	(3,444,281)	(389,682)
(Increase) decrease in split-interest agreements	(185,299)	272,892
Net cash provided by (used in) investing activities	(6,277,528)	(541,431)
<b>Cash Flows From Financing Activities:</b>		
Payment on bonds	(885,931)	(823,758)
Draw on insurance proceeds for direct care expenses	312,930	-
Payments on finance lease liabilities	(310,247)	(312,517)
Receipts of contributions restricted for long-term purposes	1,842,931	1,936,950
Net cash provided by (used in) financing activities	959,683	800,675
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	5,569,070	3,546,009
<b>Cash and Cash Equivalents (including operating, capital and endowment):</b>		
Beginning of year	20,078,620	16,532,611
End of year	\$ 25,647,690	\$ 20,078,620
<b>Supplemental Data:</b>		
Interest paid	\$ 107,319	\$ 170,046
Interest paid - financing leases	930	2,923
Total interest paid	\$ 108,249	\$ 172,969
<b>Schedule of Noncash Investing and Financing Activities:</b>		
Addition of right-of-use asset for operating leases	\$ 319,383	\$ -
Addition of right-of-use asset for financing leases	\$ -	\$ 288,218
Capital additions included in accounts payable	\$ 452,309	\$ 598,924

See accompanying notes to consolidated financial statements.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 1. Organization

The Carnegie Library of Pittsburgh (Library) is a public trust established in 1895 for the benefit of the citizens of Western Pennsylvania. As a free public library, the Library provides collections, programs, and services through a network of twenty-one (21) locations, including the Main Library, Library of Accessible Media for Pennsylvanians (LAMP), and Allegheny County Law Library (ACLL), all of which are public service outlets, and the Library Support Center in the West End, which is not a public service outlet. In July 2023, the Library entered into a management agreement with Allegheny County to oversee the operations of the ACLL.

The Library is an organization described under Section 501(c)(3) of the Internal Revenue Code (IRC) and is, therefore, exempt from taxation under Section 501(a) of the IRC. Additionally, the Library is classified as an organization which is not a private foundation according to the Internal Revenue Code. As a not-for-profit public trust, the Library is required to file federal information returns annually with the Internal Revenue Service.

A significant portion of the Library's funds are received from governmental agencies that annually appropriate funds designated for the Library.

The Library has a cooperation and support agreement with Allegheny Regional Asset District (District) for the purposes of supporting and financing the activities of the Library and providing for oversight of efficient operation of the Library. Provided the Library complies with the requirements of the agreement, the District covenants to provide funds of at least \$15,752,000 to the Library annually through the year 2024. The District renews agreements with its contractual assets every five years; the Library's renewal process will likely begin in early 2024. In 2002, this agreement was amended in connection with the issuance of bonds. Under this amendment, the District has committed to allocate \$1,000,000 of the annual grant to the Library for payment of debt service on the bonds through 2027. This agreement was reaffirmed in 2010 and again in 2021 with the issuance of the new bonds. The District may also provide support to the Library for special projects.

The Library also has support agreements with the Commonwealth of Pennsylvania for annual library operations and for capital renovation and construction reimbursement. Other Commonwealth revenue sources include table games revenue as authorized by Senate Bill 711 of 2009.

The Library receives a 0.25 mill property tax levy from the residents of the City of Pittsburgh. The proceeds are to be used exclusively for the operation and maintenance of

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# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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the Library. Tax revenue recognized for 2023 and 2022 amounted to approximately \$4.84 million and \$4.80 million, respectively.

In 2022, the Library successfully completed *Realize: Our Power, Our Potential*, a comprehensive fundraising campaign designed by the Library to expand and diversify the Library's revenue streams. During the eight-year period of 2015-2022, the Library raised \$51.7 million (103% of its \$50 million goal) to support current priorities and the Library's long-term sustainability. Funds raised for the comprehensive campaign support the Library's roles in early literacy; out of school learning; workforce and economic development; and neighborhood vitality. Continuing into 2023, the Library continued its efforts to raise funds to support current priorities along with emphasizing support for endowment, bequests, and other planned gifts that are helping the Library chart a course for future sustainability.

The Centers for Disease Control (CDC) declared COVID-19 a pandemic on March 11, 2020. That declaration ended on May 11, 2023. During that time, the Library followed the CDC's and the local health department's guidelines for closure and re-opening. During 2023, the Library was able to restore the service hours it offered prior to the pandemic. The Library received funds in 2020 from pandemic stimulus programs including the Paycheck Protection Program and the CARES Act. In 2021 and 2022, the Library filed for reimbursement with the IRS under the Employee Retention Credit Program for calendar years 2020 and 2021. The filings totaled approximately \$5.6 million, of which \$124,300 was received for the year ending December 31, 2022. Due to the high likelihood of receiving the remaining funds in 2023, a receivable for \$5.5 million was recorded as of December 31, 2022. That payment was received in 2023.

## 2. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently followed by management in the preparation of the accompanying financial statements follows:

### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized as they are earned, and expenses are recorded when liabilities are incurred.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### Reporting Entity

The financial statements include the accounts of the Library and the Jack G. Buncher Charitable Fund for the Carnegie Library of Pittsburgh (Fund). The Fund is a supporting organization of the Library and had total assets of \$10,975,730 and \$11,571,751, and total revenue and unrealized gains/(losses) of \$803,979 and \$(257,902) as of December 31, 2023 and 2022, respectively. All interrelated transactions and accounts are eliminated.

### Basis of Presentation

The Library reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are composed of expendable resources used to support the Library's core activities and all other resources not included in the below categories. Donor-restricted contributions that are received on a reimbursement basis and, therefore, by their nature must have their restrictions met in the same reporting period, are classified as support without donor restrictions. Restricted contributions that are received and spent within the reporting year are treated as net assets without restrictions. Donor-restricted resources intended for capital projects are released and reclassified as support without donor restrictions when the related assets are capitalized. All expenses are recorded as a reduction to net assets without donor restrictions. Certain net assets without restrictions have been designated for funding of future capital maintenance and Library programs. A substantial portion of the net assets without restrictions are not readily available for general organization purposes. Included in the net asset figure without restrictions is the net asset that represents buildings and equipment, net of related debt.

Net assets with restrictions carry restrictions that expire upon the passage of a prescribed period of time or upon the occurrence of a stated event as specified by the donor. Included in this category are gifts held by the Library pending their use in accordance with donor stipulations, unexpended donor gifts for capital projects, pledges, certain split-interest agreements, and term endowments.

Some net assets with restrictions are to be held in perpetuity by the Library, including certain gifts of endowment and split-interest agreements. Investment earnings on the related assets are classified based on donor restrictions or Pennsylvania Law.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### Investments and Investment Return

Investments are carried at fair value as outlined in Note 6. Gains and losses from the sale of investments are determined by the average cost method.

Investment fees amounted to \$89,238 and \$85,726 for the years ended December 31, 2023 and 2022, respectively. Investment returns not designated for operations are included in the statements of activities as non-operating gains (losses). For its endowment, the Library follows a spending policy as outlined in Note 7. The Library also complies with PA State Act 141 of 1998, which requires a minimum endowment draw of 2% and a maximum draw of 7%. Library policy authorizes a draw of up to 5%.

### Split-Interest Agreements

The Library is the beneficiary of the income from certain irrevocable trust funds held by bank trustees. The fair value of the Library's share of the trusts is included in the statements of financial position as an asset and as net assets with donor restrictions based upon the nature of the trust. The income from the trusts is recorded upon receipt as either net assets with donor restrictions or without donor restrictions based on the designation by the donor. Income from such trust funds was \$75,183 and \$75,248 as of December 31, 2023 and 2022, respectively.

### Cash and Cash Equivalents

The Library generally classifies all investments with maturities of three months or less, when purchased, to be cash equivalents other than any such investments included in the long-term investment or held for transfer to long-term investments. The Library maintains, at a financial institution, cash and cash equivalents that may exceed federally insured amounts at times.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### Liquidity and Availability of Financial Assets

The following reflects the Library's financial assets as of the statement of financial position date (December 31, 2023 and 2022), reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved draw from the endowment for the following year, as well as amounts that are available for general expenditure in the following year. The Library is partially supported by restricted contributions, and because a donor's restriction requires resources to be used in a particular manner or in a future period, the Library must maintain sufficient resources to meet those responsibilities to its donors. Therefore, financial assets may not be available for general expenditure within one year.

The Library invests cash in excess of daily requirements in various short-term investments, including certificate of deposits and short-term Treasury instruments. To help manage unanticipated liquidity needs, the Library has a committed line of credit (Note 13) in the amount of \$5 million which it could draw upon in the event of an unanticipated liquidity need. Additionally, the Library has a quasi-endowment and operating reserve. Although the Library does not intend to spend from its quasi-endowment other than draw amounts for general expenditure based on the Board approval, amounts could be made available if necessary.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash and cash equivalents - operating	\$ 21,231,478	\$ 14,045,214
Accounts and interest receivable	536,076	708,899
Appropriation of investments for current use	228,571	163,150
Less: Donor restrictions for specific purposes or cash restricted for specific uses	(8,991,118)	(4,921,678)
Less: Board-designated operating reserves	<u>(373,000)</u>	<u>(357,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 12,632,007</u>	<u>\$ 9,638,585</u>

### Other Receivables

For the year ending December 31, 2023, other receivables of \$2.10 million is comprised of \$1 million from the Office of Commonwealth Libraries (OCL), \$530,000 in outstanding amounts due for special library tax, and \$575,000 for various ongoing operational

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# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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receivables and one-time grants. For the year ending December 31, 2022, other receivables of \$7.41 million is comprised of \$5.5 million for the employee retention credit, \$1.17 million from the OCL, \$445,000 in outstanding amounts due for special library tax, and \$295,000 for various ongoing operational receivables and one-time grants. Collectability is assessed at year-end and an allowance is booked if deemed material and necessary.

### Pledges Receivable

Pledges receivable are recorded as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give. Pledges receivable are recorded at the present value of expected net proceeds ultimately payable to the Library. Pledges receivable are adjusted annually and are reflected in the statements of activities as fundraising - private.

### Buildings and Equipment

Buildings and equipment are stated at cost when purchased or at fair value when donated. Major improvements and betterments greater than \$2,500 are capitalized. Items under the \$2,500 capitalization threshold as well as costs of maintenance and repairs that do not extend the estimated useful lives of the applicable assets are charged to expense as incurred. When buildings and equipment are retired, or otherwise disposed of, the asset and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations.

Depreciation of property and equipment is calculated over the estimated useful lives of the assets of three to thirty-five years and is computed on the straight-line method.

### Collections

*Circulating Collections* – The circulating collections (materials including books, periodicals, audio visual, etc.) are not recognized as assets in the statements of financial position. Purchases of collection items are expensed and recorded as a decrease in net assets without donor restrictions in the year in which the items are acquired (of which approximately \$5.6 million in 2023 and \$5.2 million in 2022). Guidance followed for the treatment of expensing collections when purchased is subtopic 958.360 of the Accounting Standards Codification. Proceeds from the sale of circulating collection items would be used to acquire other collection items.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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*Special Collections* – The Library’s special collections were primarily acquired through contributions since the Library’s inception. Special collections is defined as any current or future special/permanent/historical collection item, including but not limited to rare books, manuscripts, archival holdings, and photographs housed in the Oliver Room or other secure spaces. Special collection items are not recognized as an asset on the statements of financial position. Purchases of new special collection items (none in 2023 and 2022) would be recorded as a decrease in net assets without donor restrictions in the year the items were acquired, or as a decrease to net assets with donor restrictions if the assets used to purchase collections were restricted by donors.

All special collections are subject to appropriate stewardship measures (catalogued, preserved, secured, and cared for as appropriate, finding aids created, and activities verifying their existence and assessing their condition).

The Library’s policy is that proceeds from the sale of special collection items, or insurance recoveries on the loss of special collection items would be used to purchase suitable new special collection items or used for direct care of the special collection. Direct care for the Library’s special collections is defined as expenses to enhance the life, usefulness and quality of the item, that are based on an institutional plan for the special collection. The policy is based upon the Financial Accounting Standards Board’s (FASB) Accounting Standards Updates (ASU) 2019-03, the American Alliance of Museum (AAM’s) ethics, guidelines, and recommendation for direct care as well as legal guidance.

Proceeds from the sale of collections or insurance recoveries (of which there was \$0 in 2023 and 2022) would be reflected as revenue resulting in an increase in net assets with donor restrictions.

### Expense Allocation

The costs of providing the activities of the Library are presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited. Allocations among the classifications are performed using a variety of techniques, such as management’s identification of indirect costs and budgeted time and effort.

### Contributed Nonfinancial Assets

No amounts have been reflected in the financial statements for donated services. The Library pays for all significant services requiring specific expertise. However, many

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# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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individuals volunteer their time and perform a variety of tasks that assist the Library with various programs. In 2023, over 167 volunteers contributed 11,240 hours of service. In 2022, over 157 volunteers contributed 5,920 hours of service.

### Operating Activities

For purposes of the statements of activities, the Library distinguishes between operating revenue, support, gains, and expenses and nonoperating revenue, support, gains, and expenses. The Library treats as operating revenue and support and operating expenses all revenues and expenses that are an integral part of its programs and supporting activities, including investment return designated for current operations. All other activity is nonoperating support, revenues, and gains.

### Financial Instruments

The following methods and assumptions were used by the Library in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, and short-term unconditional promises to give: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.
- Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments or other unobservable inputs. See Note 6 for further disclosure.
- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period. See Note 3 for further disclosure.

### Adopted Accounting Standard

The Library has adopted and incorporated the following into these financial statements:

ASU 2016-13, *“Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”* These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be

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# CARNEGIE LIBRARY OF PITTSBURGH

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presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

### Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2021-08, *“Business Combinations (Topic 805) Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,”* is effective for reporting periods beginning after December 15, 2023. The amendments in this update require that an entity (acquirer) recognizes and measures contract assets and contract liabilities acquired in a business combination in accordance with Topic 606.

ASU 2022-03, *“Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions,”* is effective for fiscal years beginning after December 15, 2024. The amendments in this update clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.

### Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 3. Pledges Receivable

Pledges are recorded in the accompanying financial statements at net present value using discount factors ranging from 4.23% and 3.93% and are expected to be received as follows:

<u>Years ending December 31</u>	<u>Amount</u>
2024	\$ 387,058
Current portion	<u>387,058</u>
2025	75,000
2026	7,500
2027	<u>2,500</u>
Non-current portion	85,000
Less - amount representing discount	<u>(7,155)</u>
	<u>\$ 464,903</u>

The Library's estimate of an allowance for uncollectible pledges is based on historical collection experience and a review of the current status of the pledges. The Library's estimated allowance resulted in an insignificant amount recorded to the financial statements. Decisions to charge off uncollectible pledges are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Library's estimate of an allowance for uncollectible pledges will change.

Fair values of assets measured on a recurring basis as of December 31, 2023 and 2022 are as follows: Level 1 Pledges receivable – current \$387,058 and \$161,858, respectively, and Level 3 Pledges receivable – noncurrent \$77,845 and \$117,854, respectively.

Fair values for Level 1 financial instruments are determined by quoted prices in active markets for identical financial instruments. Pledges due within one year are considered to be Level 1 because of the short maturity of these instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Library's own assumptions in determining the fair value of financial instruments.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Since the Library's noncurrent pledges receivable have no significant observable inputs, they are classified as Level 3.

The input used by the Library to measure the value of noncurrent pledges receivable is the original pledge commitment discounted at two to four years at the applicable U.S. Treasury Yield Curve rate.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include pledges expected to be received in more than one year:

	2023	2022
Balance as of January 1	\$ 117,854	\$ 75,449
Additions of long-term pledges	245,000	222,397
Increases (decreases) due to change in scheduled payments	102,199	(18,134)
Pledges receivable, which became due within one year	(387,058)	(161,858)
Pledges written off as uncollectible	(150)	-
Balance as of December 31	<u>\$ 77,845</u>	<u>\$ 117,854</u>

At the beginning of 2023, the Library held \$240,000 in contingent pledges. Contingent pledges are recognized in the financial statements only when the contingency is met. The Library met \$30,000 in contingencies and received and recognized payment as revenue on the statement of activities in 2023. No new contingent pledges were made to the Library in 2023. The outstanding balance of contingent pledges is \$210,000 at December 31, 2023. Of that total, \$30,000 of contingent pledges are expected to be fulfilled in 2024.

At the beginning of 2022, the Library held \$270,000 in contingent pledges. The Library met \$30,000 in contingencies in 2022 and received and recognized payment as revenue on the statement of activities during 2022. No new contingent pledges were made to the Library in 2022. The outstanding balance of contingent pledges was \$240,000 at December 31, 2022.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 4. Land, Buildings and Equipment

Land, buildings, and equipment at December 31, 2023 and 2022 consist of the following:

	2023	2022
Capital assets:		
Not being depreciated:		
Land	\$ 891,298	\$ 891,298
Construction in progress	1,101,053	1,346,861
Total not being depreciated	<u>1,992,351</u>	<u>2,238,159</u>
Being depreciated:		
Building and building improvements	84,755,649	80,859,134
Leasehold improvements	5,010,594	5,010,594
Equipment	7,678,216	7,635,461
Vehicles	555,659	482,465
Total being depreciated	<u>98,000,118</u>	<u>93,987,654</u>
Less: accumulated depreciation	<u>(43,690,412)</u>	<u>(40,642,268)</u>
Net being depreciated	<u>54,309,706</u>	<u>53,345,386</u>
Total capital assets, net of depreciation	<u>\$ 56,302,057</u>	<u>\$ 55,583,545</u>

Beginning in 2002 and continuing beyond December 31, 2023, the Library is undergoing a series of renovations of certain buildings as part of its Libraries for Life capital campaign. The Library also performs ongoing capital maintenance at all locations. As of December 31, 2023 and 2022, \$639,315 and \$1,335,311, respectively, remain committed under contracts related to these activities. No net interest costs were capitalized for 2023 and 2022.

Included in building and building improvements are properties received in 2003 through a donation from the City of Pittsburgh (City) for six locations. The fair value of these buildings as of December 31, 2023 and 2022 was \$1,740,000, and was offset by an original contribution. Any change in use, termination of use, or sale of these properties is subject to approval by City Council.

In September 2023, a fire occurred in the basement of the Main Library which destroyed data fiber, HVAC, fire alarm and security camera panels and damaged ductwork. Destroyed and damaged building systems were replaced with insurance proceeds. Most of the work to complete the repair occurred in 2023, but certain data line work continues into 2024.

# CARNEGIE LIBRARY OF PITTSBURGH

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The value of any fire-damaged assets and its accumulated depreciation has been removed from the Library's financial statements.

### 5. Investments

Long-term investments consist of three multi-strategy funds, private company stock, and split interest agreements at December 31, 2023 and 2022.

The total returns on long-term investments, cash equivalents, and the insurance proceeds restricted to collection items not capitalized for the year ended December 31, 2023 are summarized as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest on cash and cash equivalents	\$ 883,007	\$ 38,639	\$ 921,646
Interest and dividend income	62,300	835,105	897,405
Investment fees	(46,692)	(42,546)	(89,238)
Net realized gain (loss)	157,336	332,266	489,602
Unrealized gain (loss)	1,684,597	3,837,215	5,521,812
Return on investments, net	2,740,548	5,000,679	7,741,227
Investment return designated for current operations	(1,107,407)	(805,762)	(1,913,169)
Investment gain (loss) related to proceeds from special collection insurance recovery (Note 10)	-	(894,745)	(894,745)
Investment gain (loss) recognized	<u>\$ 1,633,141</u>	<u>\$ 3,300,172</u>	<u>\$ 4,933,313</u>

# CARNEGIE LIBRARY OF PITTSBURGH

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The total returns on long-term investments, cash equivalents, and the insurance proceeds restricted to collection items not capitalized for the year ended December 31, 2022 are summarized as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest on cash and cash equivalents	\$ 189,794	\$ 9,399	\$ 199,193
Interest and dividend income	62,198	794,371	856,569
Investment fees	(43,525)	(42,201)	(85,726)
Net realized gain (loss)	66,986	112,645	179,631
Unrealized gain (loss)	<u>(3,782,887)</u>	<u>(5,061,778)</u>	<u>(8,844,665)</u>
Return on investments, net	<u>(3,507,434)</u>	<u>(4,187,564)</u>	<u>(7,694,998)</u>
Investment return designated for current operations	(354,913)	(306,264)	(661,177)
Investment gain (loss) related to proceeds from special collection insurance recovery (Note 10)	-	963,476	963,476
Investment gain (loss) recognized	<u>\$ (3,862,347)</u>	<u>\$ (3,530,352)</u>	<u>\$ (7,392,699)</u>

The Library's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, due to the level of risk associated with these instruments, it is reasonably possible that changes in the values of these instruments will occur in the near-term, and that such changes could materially affect the amounts reported in the financial statements.

### 6. Fair Value Measurement

The Library determines fair value of investments and other assets using a three-tier hierarchy of valuation inputs, breaking them down into Level 1, Level 2, and Level 3. These assets include three multi-strategy funds, private company stock, and split-interest agreements. The total fair value of the assets as of December 31, 2023 and 2022, respectively, is \$51,444,404 and \$43,435,305.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Fair values of assets measured on a recurring basis as of December 31, 2023:

Description	December 31, 2023	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Company Stock	\$ 10,404,619	\$ -	\$ -	\$ 10,404,619
Split-Interest Agreements	1,656,837	-	-	1,656,837
Total assets in fair value hierarchy	12,061,456	\$ -	\$ -	\$ 12,061,456
Investments measured at net asset value				
Multi-Strategy Funds	39,382,948			
Investments at fair value	\$ 51,444,404			

Fair values of assets measured on a recurring basis as of December 31, 2022:

Description	December 31, 2022	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Private Company Stock	\$ 10,897,406	\$ -	\$ -	\$ 10,897,406
Split-Interest Agreements	1,471,538	-	-	1,471,538
Total assets in fair value hierarchy	12,368,944	\$ -	\$ -	\$ 12,368,944
Investments measured at net asset value				
Multi-Strategy Funds	31,066,361			
Investments at fair value	\$ 43,435,305			

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Library's own assumptions in determining the fair value of financial instruments. Since the split-interest agreements and private company stock have no significant observable inputs, they are classified at Level 3. The input used by the Library to measure the value the split interest agreements is the market value from the bank trust statements. The input used by the Library to measure the value of the private company stock is a third-party FMV appraisal report conducted under valuation services section 100 of the AICPA, net of a discount of 25% for lack of marketability and 5% for lack of control assessed by a third-party consultant. A discount for lack of marketability is applied to take into account the lack of a readily available market to liquidate the shares held. A discount for lack of control is applied to acknowledge the inability to control management or decision making of the private company.

The Multi-Strategy Funds (Commonfund's Multi-Strategy Equity Fund and Multi-Strategy Bond Fund, or MSFs) are reported at market value as of December 31, 2023 and 2022. The net asset value is calculated as assets of the fund less the fund's liabilities. The share reported by the Library is proportionate to the Library's relative capital contribution. Shares are redeemable on a monthly basis. The Library intends to liquidate the investments in the MSFs held at December 31, 2023 due to a change in investment managers. The funds will be directly reinvested in the market.

The Library's endowment is invested in the MSFs. Together the funds seek to achieve a total return (price appreciation plus dividends and interest income) that exceeds inflation plus 5% per annum through a globally diversified portfolio. Such diversification is designed to provide some downside protection and to potentially enhance long-term total return.

The asset mix is designed not to outperform the best-performing asset class in any given year but rather to produce satisfactory real returns over time periods appropriate to perpetual life charities. Tactical rebalancing may periodically occur to take advantage of perceived market opportunities and/or to return the portfolio towards policy weights. The Multi-Strategy Equity Fund is primarily benchmarked against the S&P 500, with a secondary composite benchmark comprised of 85% S&P 500 and 15% MSCI All-Country World Index (ACWI). The Multi-Strategy Bond Fund is benchmarked against the Bloomberg Barclays US Aggregate Bond Index.

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# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following summarizes the changes in fair values associated with Level 3 investments, which include the private company stock and split-interest agreements:

	<u>2023</u>	<u>2022</u>
Balance as of January 1	\$ 12,368,944	\$ 14,185,137
Contributions (Operating Support)	60,666	50,000
Change in fair value (Nonoperating Gains) - stock	(492,787)	(1,543,300)
Change in fair value (Nonoperating Gains) - split interest agreements	<u>124,633</u>	<u>(322,893)</u>
Balance as of December 31	<u>\$ 12,061,456</u>	<u>\$ 12,368,944</u>

### 7. Endowment Disclosures

The Library's endowment was established for a variety of purposes, including for the purchase of library materials, programming, or operating purposes without donor restrictions. The endowment includes both donor-restricted endowment funds and funds without donor restrictions designated by the Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Library has interpreted Pennsylvania State Act 141 of 1998 (Act) 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 held in perpetuity (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 and investment income in excess of amounts designated for current operations and losses up to the extent of accumulated gains. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions held for a certain time/purpose until those amounts are appropriated for

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expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act.

Endowment net asset composition by type of fund as of December 31, 2023:

Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,477,574	\$ 21,537,640	\$ 24,015,214

Endowment net asset composition by type of fund as of December 31, 2022:

Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,995,480	\$ 17,718,534	\$ 19,714,014

Changes in endowment net assets for the fiscal year ended December 31, 2023:

	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 1,995,480	\$ 17,718,534	\$ 19,714,014
Investment return, net:			
Fees	(14,118)	(38,152)	(52,270)
Net gain (loss), realized and unrealized	467,325	3,006,408	3,473,733
Total investment return, net	453,207	2,968,256	3,421,463
Contributions	190,987	1,292,161	1,483,148
Other changes:			
Withdrawals	(162,100)	(441,311)	(603,411)
Miscellaneous income (expense)	-	-	-
Endowment Net Assets, End of Year	\$ 2,477,574	\$ 21,537,640	\$ 24,015,214

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Changes in endowment net assets for the fiscal year ended December 31, 2022:

	Board-Designated Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 2,347,587	\$ 21,286,429	\$ 23,634,016
Investment return, net:			
Fees	(13,698)	(37,678)	(51,376)
Net gain (loss), realized and unrealized	(311,732)	(3,577,042)	(3,888,774)
Total investment return, net	(325,430)	(3,614,720)	(3,940,150)
Contributions	76,244	330,640	406,884
Other changes:			
Withdrawals	(102,921)	(283,815)	(386,736)
Miscellaneous income (expense)	-	-	-
Endowment Net Assets, End of Year	\$ 1,995,480	\$ 17,718,534	\$ 19,714,014

Not included in the figures above, but permanently restricted for transfer from cash to the endowment are \$84,059 and \$8,125 in 2023 and 2022, respectively.

From time to time, net assets with donor restrictions to be held in perpetuity may have fair value less than the amount required to be maintained by donors or by law (underwater endowments). At December 31, 2023, funds with an original gift value of \$312,050, fair value of \$301,053, and a deficiency of \$10,997 were reported in net assets with donor restrictions. At December 31, 2022, funds with an original gift value of \$1,115,432, fair value of \$1,017,639, and a deficiency of \$97,793 were reported in net assets with donor restrictions.

### Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Library has adopted policies and guidelines for endowment and restricted funds.

To satisfy its long-term rate-of-return objectives, the Library relies on returns in excess of the rate of inflation. The Library targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Library has a policy of appropriating, for distribution each year, between 2% and 5% of the average market value of the endowment fund balance at the end of the 12 calendar quarters that precede the calendar year being budgeted. The presumption is that, over the course of multiple years, the average investment returns will equal or exceed 5% per annum and that the endowment will meet the objective of providing ongoing financial support to the Library.

### 8. Net Assets

#### With Donor Restrictions

Total net assets with donor restrictions are \$37,840,185 and \$32,590,867 at December 31, 2023 and 2022, respectively

Net assets with purpose or time restrictions at December 31, 2023 and 2022 of \$14,817,657 and \$13,536,769, respectively, are available for use by the Main Library and branches for capital improvements, the purchase and care of special collections (approximately \$6.6 million and \$6.0 million at December 31, 2023 and 2022, respectively) and a variety of other donor-imposed purposes and time periods.

Net assets of \$23,022,528 and \$19,054,098 were held in perpetuity at December 31, 2023 and 2022, respectively. The following composition of the net asset class indicates how the income is to be expended:

	<u>2023</u>	<u>2022</u>
Collection development/programming	\$ 17,689,072	\$ 14,520,000
Any library purpose	<u>5,333,456</u>	<u>4,534,098</u>
	<u>\$ 23,022,528</u>	<u>\$ 19,054,098</u>

# CARNEGIE LIBRARY OF PITTSBURGH

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### Without Donor Restrictions

Net assets without donor restrictions which are board-designated include funds in the endowment and operating reserve.

### **9. Net Assets Released from Restrictions**

Net assets totaling \$5,506,893 and \$4,195,594 were released from donor restrictions for the years ended December 31, 2023 and 2022, respectively, by incurring expenses that satisfy the restricted purposes or by occurrence of events specified by the donors.

Net assets of \$5,119,506 and \$3,901,441 were released from restrictions on operating activity for the years ended December 31, 2023 and 2022, respectively.

Net assets of \$387,387 and \$294,153 were released from restrictions on capital activity for the years ended December 31, 2023 and 2022, respectively.

### **10. Investments Restricted to Collection Items not Capitalized**

Other assets of \$6,627,149 and \$6,045,334 on the statements of financial position for the years ended December 31, 2023 and 2022, respectively, consist of insurance proceeds related to a theft of some of the Library's special collections which was discovered in 2017. These funds are also comprised of interest earnings and realized/unrealized gains/losses thereon. These funds are invested in an external investment pool. The funds are invested in a S&P 500 equal weighted index fund, a S&P 500 market weighted index fund, a high-quality bond fund, and a U.S. money market government fund in the years ended December 31, 2023 and 2022. The funds are redeemable on a weekly basis. Funds in the amount of \$312,930 and \$0 for the years ended December 31, 2023 and 2022, respectively, have been drawn from this investment for allowable expenses pursuant to the Library's direct care policy. The investment gain/(loss) on insurance proceeds restricted to collection items not capitalized was \$894,745 and (\$963,476) for the years ended December 31, 2023 and 2022, respectively. The Library plans to liquidate the specific investments held at December 31, 2023 in their entirety and replace with similar marketable investments.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 11. Retirement Plan

The Library sponsors a defined contribution retirement plan, which is offered through a third-party financial services organization. The plan is a 403(b) tax sheltered annuity plan covering all eligible employees. The 403(b) plan is open to all employees and offers an employer matching contribution to eligible employees. Eligible employees for the employer matching include those who have attained age 21, have completed 12 consecutive months of service and have worked at least 1,000 hours during the plan year. Since 2010, the employer matching contribution is 120% of employee contributions up to 5% of the employee's compensation. Employer contributions of approximately \$793,000 and \$755,000 were made to the plan for the years ended December 31, 2023 and 2022, respectively.

### 12. Leases

The Library has historically entered into a number of lease arrangements under which they are the lessee. FASB ASU 2016-02 requires lessees to report a right-of-use (ROU) asset and a liability for financing and operating leases. As of December 31, 2023, the Library is party to four contracts that require this accounting treatment.

Two of the four contracts are treated as finance leases which are for computers and site servers. The short-term lease practical expedient has been elected related to certain other similar contracts.

Two other contracts are considered operating leases. Specifically, of the Library's 20 public service locations, only two were subject to operating leases in 2023. Both of the Library's space rental leases includes multiple optional renewal periods. For these leases, the Library does not consider any additional renewal periods to be reasonably certain of being exercised, as comparable locations could generally be identified within the same trade areas for comparable lease rates.

All of the Library's leases include fixed rental payments.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The Library recognized rent expense associated with its leases as of December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost:		
Fixed rent expense	\$ 422,350	\$ 420,628
Finance lease cost:		
Amortization of right-of-use asset	308,640	312,231
Interest expense	930	2,923
Short term lease expense	<u>440,588</u>	<u>441,042</u>
Net lease cost	<u>\$ 1,172,508</u>	<u>\$ 1,176,824</u>

During the years ended December 31, 2023 and 2022, the Library had the following cash and non-cash activities associated with its leases:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 422,350	\$ 420,628
Operating cash flows for financing leases	-	-
Financing cash flows for financing leases (principal and interest)	<u>311,177</u>	<u>315,440</u>
Total cash paid	<u>\$ 733,527</u>	<u>\$ 736,068</u>

The noncash investing and financing activities resulting from additions to ROU assets for operating leases was \$319,383 and \$0 as of December 31, 2023 and 2022, respectively. The noncash investing and financing activities resulting from additions to ROU assets for financing leases was \$0 and \$288,218, as of December 31, 2023 and 2022, respectively.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

The future payments due under operating and financing leases as of December 31, 2023 are as follows:

<u>Years Ending December 31</u>	<u>Operating</u>	<u>Financing</u>
2024	\$ 424,494	\$ 144,932
2025	426,967	-
2026	446,805	-
2027	452,937	-
2028	455,724	-
Thereafter	<u>2,881,387</u>	<u>-</u>
	<u>5,088,314</u>	<u>144,932</u>
Less effects of discounting	<u>(97,094)</u>	<u>(138)</u>
Lease liabilities recognized	<u>\$ 4,991,220</u>	<u>\$ 144,794</u>
Current	<u>\$ 408,289</u>	<u>\$ 144,794</u>
Long-term	<u>\$ 4,582,931</u>	<u>\$ -</u>

As of December 31, 2023 and 2022, the weighted-average remaining lease term for all operating leases is 11.29 years and 12.98 years, respectively, while the weighted-average remaining lease term for all finance leases is 0.5 years and 1.48 years, respectively.

Because the Library does not have access to the rate implicit in the lease, it utilizes the US Treasury rate as the incremental borrowing rate. The weighted average discount rate associated with operating leases as of December 31, 2023 and 2022 is 0.55% and 0.31%, respectively, while the weighted-average discount rate associated with finance leases is 0.19% and 0.30%, respectively.

### 13. Line of Credit

The Library has a \$5,000,000 revolving line of credit for working capital purposes that is secured by existing and future revenues which expires on October 31, 2024. Amounts outstanding under the line of credit bear interest at a rate per annum which is equal to the sum of the Daily BSBY Rate plus 100 basis points. The Library did not draw from the line during 2023 or 2022 and had no outstanding balance on the line at December 31, 2023 and 2022.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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### 14. Debt

#### Bonds Payable

On November 26, 2002, the Library issued \$14,510,000 in fixed-rate bonds at rates ranging from 2.5% to 5.0% pursuant to a loan agreement with the Allegheny County Industrial Development Authority. The bond proceeds, net of bond issuance costs, were deposited into a project fund to be used for construction and renovation projects at various Library branches, as well as the Main Library.

On August 10, 2010, the Library issued \$12,515,000 of Allegheny County Industrial Development Authority Regional Asset District Sales Tax Revenue Bonds, Series of 2010 with fixed-rates ranging from 0.8% to 4.375%. The amount was sufficient to refund the 2002 Revenue Bonds, pay the expenses of the bond issue, and provide proceeds of approximately \$500,000 for an existing capital project.

On July 22, 2021, the Library issued \$5,610,000 of Allegheny County Industrial Development Authority Regional Asset District Sales Tax Revenue Bonds, Series of 2021 at an aggregate purchase price of \$6,196,632, representing the aggregate principal amount of the bonds, plus original issuance premium of \$609,072 and less discount of \$22,400. The amount was sufficient to refund the 2010 Revenue Bonds, pay the expenses of the bond issue, and provide proceeds of approximately \$573,000 for an existing capital project. Debt service for the 2021 bonds remains essentially the same as under the 2010 bonds. The fixed-rate bonds are at rates ranging from 3.0% to 4.0%

Annual bond principal and interest payments of \$1,000,000 will be made with dedicated funds received from the District. The Allegheny Regional Asset District Cooperation and Support Agreement for the Carnegie Library of Pittsburgh between the Library, the District, the City, and the County of Allegheny provides for direct payment of these bond payments to the bond trustee and provides security for the Library's obligations under the loan agreement through 2027.

The Library has \$93,002 and \$116,252 of unamortized bond issuance costs, for the years ended December 31, 2023 and 2022, respectively. The Library has \$516,113 and \$577,044 of unamortized bond issuance premium for the year ended December 31, 2023 and 2022, respectively. The bonds payable are shown net of unamortized bond issuance cost and unamortized bond issuance premium.

# CARNEGIE LIBRARY OF PITTSBURGH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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A summary of future payment requirements on the bonds is as follows:

<u>Years Ending December 31</u>	<u>Interest Rate</u>	<u>Amount</u>
2024	4.000%	\$ 860,000
2025	4.000%	895,000
2026	4.000%	930,000
2027	4.000%	970,000
		<u>3,655,000</u>
Less: unamortized bond issuance costs		(93,002)
Add: unamortized bond issuance premium		<u>516,113</u>
	Total bonds payable	<u>4,078,111</u>
	Less: bonds payable, current	<u>860,000</u>
	Bonds payable, non-current	<u>\$ 3,218,111</u>

### 15. Related Party Transactions

The Electronic Information Network (d/b/a eiNetwork) maintains and manages the electronic information computer network that holds a shared online catalog and reference materials. The eiNetwork manages the network for all public libraries in Allegheny County, including Carnegie Library of Pittsburgh, and hosts and administers Internet services, the library circulation system, the library staff email system, and other public access computer systems. The eiNetwork also manages the leasing and replacement of personal computers to organizations within the network.

The eiNetwork is a non-profit, member corporation with two members that are both contractual assets of RAD. The corporation members are the Allegheny County Library Association (ACLA) and Carnegie Library of Pittsburgh. The Library makes payments to eiNetwork for computers and other equipment, which were \$336,473 and \$348,901 for the years ended December 31, 2023 and 2022, respectively. The eiNetwork also reimbursed the Library for expenses totaling \$34,358 and \$32,982 for the years ended December 31, 2023 and 2022, respectively.