The Queens Library Foundation, Inc.

Financial Statements
Year Ended June 30, 2019

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Contents

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Independent Auditor's Report

The Board of Directors
The Queens Library Foundation, Inc.
Queens, New York

We have audited the accompanying financial statements of The Queens Library Foundation, Inc., which comprise the statement of financial position as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of The Queens Library Foundation, Inc. as of June 30, 2019, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2018 financial statements of The Queens Library Foundation and our report, dated April 11, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

December 17, 2019

The Queens Library Foundation, Inc.

Statement of Financial Position
(with comparative totals for 2018)

June 30,		**2019**		2018
Assets				
Current				
Cash and cash equivalents				
Checking account – interest bearing	**$**	**345,681**	$	1,044,723
Cash on hand		**-**		33
Total Cash and Cash Equivalents		**345,681**		1,044,756
Contributions receivable from individuals, corporations, and foundations		**70**		-
Due from affiliate		**123,810**		231,268
Total Current Assets		**469,561**		1,276,024
Long-Term Investments, at fair value		**18,518,520**		18,161,929
Fixed Assets, Net		**397,454**		447,814
Total Assets	**$**	**19,385,535**	$	19,885,767
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**120,416**	$	164,785
Accrued payroll and related expenses		**61,387**		36,240
Total Current Liabilities		**181,803**		201,025
Commitments and Contingencies				
Net Assets				
Without donor restrictions		**891,461**		1,672,084
With donor restrictions (Note 6)		**18,312,271**		18,012,658
Total Net Assets		**19,203,732**		19,684,742
Total Liabilities and Net Assets	**$**	**19,385,535**	$	19,885,767

See accompanying notes to financial statements.

The Queens Library Foundation, Inc.

Statement of Activities
(with comparative totals for 2018)

Year ended June 30,

	Without Donor Restriction	With Donor Restriction	**2019**	2018
Revenues, Gains and Other Support				
Contributions from individuals, corporations and foundations	$ 624,939	$ 1,021,070	**$ 1,646,009**	$ 3,043,363
Investment return, net	-	753,903	**753,903**	993,118
In-kind development services	383,443	-	**383,443**	434,091
Contributed facilities	57,875	-	**57,875**	-
Releases from restrictions	1,475,360	(1,475,360)	**-**	-
Total Revenues, Gains and Other Support	2,541,617	299,613	**2,841,230**	4,470,572
Expenses				
Supporting services:				
Fundraising and development	1,380,979	-	**1,380,979**	1,356,076
Management and general	334,745	-	**334,745**	333,815
Total Supporting Services	1,715,724	-	**1,715,724**	1,689,891
Program services	1,606,516	-	**1,606,516**	1,309,334
Total Expenses	3,322,240	-	**3,322,240**	2,999,225
Total (Deficit) Excess of Revenues, Gains and Other Support Over Total Expenses	(780,623)	299,613	**(481,010)**	1,471,347
Net Assets, beginning of year	1,672,084	18,012,658	**19,684,742**	18,213,395
Net Assets, end of year	$ 891,461	$ 18,312,271	**$ 19,203,732**	$ 19,684,742

See accompanying notes to financial statements.

The Queens Library Foundation, Inc.

Statement of Cash Flows
(with comparative totals for 2018)

Year ended June 30,		**2019**		2018
Cash Flows from Operating Activities				
Change in net assets	**$**	**(481,010)**	$	1,471,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation expense		**57,919**		57,823
Net realized and unrealized gains on investments		**(498,658)**		(774,471)
With donor restriction contributions - perpetual in nature		**(48,017)**		(83,227)
Change in assets and liabilities:				
Accounts receivable		**-**		8,493
Contributions receivable from individuals, corporations and foundations		**(70)**		487,330
Due from affiliate		**107,458**		529,777
Accounts payable and accrued expenses		**(44,369)**		58,641
Accrued payroll and related expenses		**25,147**		(13,905)
Net Cash (Used in) Provided by Operating Activities		**(881,600)**		1,741,808
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments		**5,440,247**		7,575,491
Purchase of fixed assets		**(7,559)**		(44,109)
Purchase of investments		**(5,298,180)**		(8,793,854)
Net Cash Provided by (Used in) Investing Activities		**134,508**		(1,262,472)
Cash Flows from Financing Activities				
With donor restriction contributions - perpetual in nature		**48,017**		83,227
Net Cash Provided by Financing Activities		**48,017**		83,227
Net (Decrease) Increase in Cash and Cash Equivalents		**(699,075)**		562,563
Cash and Cash Equivalents, beginning of year		**1,044,756**		482,193
Cash and Cash Equivalents, end of year	**$**	**345,681**	$	1,044,756

See accompanying notes to financial statements.

1. Description of the Organization

The Queens Library Foundation, Inc. (the Foundation) is a not-for-profit corporation incorporated in the State of New York on November 18, 1988. The Foundation was organized exclusively for educational, charitable and scientific purposes. The Foundation is supported primarily through donor contributions. It benefits, assists and supports the Queens Borough Public Library (the Library), its branches, collections and its successors in all its activities by providing program services and organizing fundraising events. The Foundation and the Library have common trustees and Board members and share common facilities and personnel.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). In the statement of financial position, assets and liabilities are presented in the order of liquidity or conversion to cash and their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets—with donor restrictions and without donor restrictions—be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

These classes of net assets are defined as follows:

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation are classified as net assets with donor restrictions-perpetual in nature. These net assets with donor restrictions may include a stipulation that assets provided be maintained permanently while permitting the Foundation to expend the income generated by the assets in accordance with provisions of additional donor-imposed stipulations or a Board-approved spending policy.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest, should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

Without Donor Restrictions - This class consists of the part of net assets that is not restricted by donor-imposed stipulations.

Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less.

Investments and Fair Value Measurement

Investments are measured at fair market value in the accompanying statement of financial position. Investment return, net is recorded when earned as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions or GAAP in the accompanying statement of activities. Purchases and sales are recorded on a trade-date basis.

GAAP "Fair Value Measurement," 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 – This level consists of quoted prices in active markets for identical assets or liabilities.

Level 2 – This level consists of inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.

Level 3 – This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Contributions and Contributions Receivable

Contributions received are recorded as increases in without donor restricted or with donor restricted net assets depending on the existence and/or nature of any donor restrictions. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted net assets.

A promise to give to the Foundation that is, in substance, unconditional, is recognized when the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2019, management determined that there was no allowance to be recorded.

Fixed Assets

Fixed assets are stated at cost, except for donated assets, which are recorded at fair market value at the date of donation. The Foundation capitalizes all fixed asset acquisitions in excess of $5,000 and with an estimated useful life of at least two years. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets based on industry guidelines. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized.

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the related assets. The estimated useful lives of various asset classes are as follows:

Office furniture, fixtures and equipment	5-7 years
Leasehold improvements	3-39 years
Computer, related equipment and computer software	3-5 years

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeded the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recorded during the year ended June 30, 2019.

Contributed Services

Amounts are reported in the financial statements for voluntary donations of services if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. See Note 7 for additional information.

Applicability of the New York Prudent Management of Institutional Funds Act (NYPMIFA)

On September 17, 2010, New York State enacted NYPMIFA. This law, which is a modified version of Uniform Prudent Management of Institutional Funds Act (UPMIFA), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times.

Tax Status

The Foundation qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and as a not-for-profit organization under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. In addition, the Foundation has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Foundation must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed the IRS Form 990 tax returns as required, and all other applicable returns in jurisdictions where so required. The Foundation is subject to routine audits by a taxing authority. As of June 30, 2019, the Foundation was not subject to any examination by a taxing authority.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances in checking and savings accounts with financial institutions. The cash balances in financial institutions may periodically during the year exceed federally insured limits of $250,000. The Foundation has not experienced any losses in such accounts.

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 amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements are not comparative but include certain prior-year summarized comparative information. With respect to the statement of activities, the prior-year information is presented in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Risks and Uncertainties

The Foundation’s investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Foundation's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Recently Adopted Accounting Pronouncements

Not-for-Profit Financial Statement Reporting

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors and other users. This ASU was adopted by the Foundation in FY-19 and has been applied retrospectively to all periods presented.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015 14, which deferred the effective date for the Foundation until annual periods beginning after December 15, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management of the Foundation is currently evaluating the impact of this ASU on its financial statements.

Leases

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and the Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. The ASU is effective for the Foundation's fiscal year 2021. Management is currently evaluating the impact of this ASU on their financial statements.

Reclassification

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation.

3. Liquidity and Availability of Resources

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

June 30, 2019		
Cash and cash equivalents	$	345,681
Contributions receivable from individuals, corporations, and foundations		70
Due from affiliate		123,810
Appropriation of investment return for operation		596,808
Total Financial Assets Available to Management for General Expenditures Within One Year	$	1,066,369

The Foundation expects $1,069,673 of amounts restricted with purpose restrictions to be released within one year.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Furthermore, the Library provides support to the Foundation to help cover operating expenses and manages the liquidity for both organizations.

4. Investments, at Fair Value

The Foundation's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 2 for a discussion of the Foundation's policies regarding this hierarchy. The following are descriptions of the Foundation's investment categories:

Money Market Funds

Money market instruments are invested in dollar-denominated, high-quality, short-term instruments. These investments are classified as Level 1.

Equities

Equities consist of investments in publicly traded U.S. and foreign common stocks. The fair value of these investments is based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price. These investments are classified as Level 1.

Exchange-Traded Funds

For the Foundation's investments in exchange-traded funds, the Foundation has ownership interest in the funds but not in the individual securities held by the funds. The assets of each fund consist primarily of shares of the underlying holdings. These funds are invested primarily in fixed-income and equity securities. These funds are valued at the net asset value (NAV) of each share. Since the funds are comprised of many different stocks, which are constantly changing in value, NAV is calculated once daily. These investments are classified as Level 1.

Fixed-Income Securities

The Foundation has investments in fixed-income securities comprised of open-end funds. These investments are priced by the Foundation's investment manager using nationally recognized pricing services based on observable market data and are classified as Level 1.

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

The following table presents the Foundation's fair value hierarchy for its financial assets (investments) that are measured at fair value on a recurring basis:

June 30, 2019

	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 464,286	$ -	$ -	$ 464,286
Equities	9,623,427	-	-	9,623,427
Exchange-traded funds	3,225,239	-	-	3,225,239
Fixed-income securities	5,205,568	-	-	5,205,568
Total Assets, at fair value	$ 18,518,520	$ -	$ -	$ 18,518,520

5. Fixed Assets, Net

Fixed assets consist of the following:

June 30, 2019

Computers, related equipment and software	$ 685,577
Office furniture, fixtures and equipment	142,298
Buildings and building improvement	344,929
Total Fixed Assets	1,172,804
Less: accumulated depreciation	(775,350)
Total Fixed Assets, Net	$ 397,454

Depreciation expense for the year ended June 30, 2019 applicable to the above assets amounted to $57,919.

6. Net Assets with Donor Restrictions

The Foundation maintains the following net assets with donor restrictions:

June 30, 2019		
Net Assets Restricted in Perpetuity		
Starr Endowment - income generated from endowment investments to be used for the International Resource Center at the Flushing Branch Library	$	700,000
Applebaum Endowment - income generated from endowment investments to be used for Mail-A-Book program; Latchkey program and adult reference books for Central Library and the Pomonok Branch Library		398,000
Elmezzi Foundation Endowment - income generated from endowment investments to be used for the Long Island City Adult Learning Center operating costs beginning in 2017 if the value of the endowment is at least $6 million plus consumer Price Index for each year through 2017.		6,000,000
NEH Endowment - investment income - 50% to be used for adult humanities programs and 50% reinvested in endowment		544,338
Forever Fausta - Language and Learning Endowment to be used for the Hunters Point Library		49,206
The Hebrew Technical Institute - Income generated from endowment investments to support programs that support high school and college students in computer skills		500,000
The Women’s Club of Malba to support the Whitestone Library and its gardens		24,957
Mr. & Mrs. Ahmad Endowment to support the Children's Library Discovery Center STEM materials and resources		50,000
The Francis Hornik Endowment to be used to support programs for women and girls		50,000
Altman Endowment - investment income to be used for the Futures Fund		518,477
Total Net Assets Restricted in Perpetuity		8,834,978
Net Assets with Purpose Restrictions		
Futures fund for children		5,213,908
Library materials		3,368,940
Library renovations		134,199
Children’s programs		102,508
Information technology		164,840
Literacy programs		120,240
Adult programs		34,865
New American services		5,940
Young adult programs		205,575
Buy-A-Book		66,764
Other		59,514
Total Net Assets with Purpose Restrictions		9,477,293
	$	18,312,271

Net assets with donor restrictions that were released from restrictions by incurring expenses satisfy the restricted purpose are as follows:

Year ended June 30, 2019		
Futures fund for children	$	35,629
Information technology		187,458
Children's programs		292,205
Job training programs		56,721
Literacy programs		2,733
Adult programs		5,214
New Americans services		11,060
Young adult programs		479,123
Buy-a-book		72,257
Library materials		322,747
Other		10,213
	$	1,475,360

Net Assets Restricted in Perpetuity

The State of New York enacted a version of the UPMIFA (or the Act), known as NYPMIFA, that governs the investment and management of donor restricted endowment funds by New York not-for-profit organizations.

NYPMIFA gives the Board of Directors authority to spend donor-restricted endowment funds that are not wholly expendable on a current basis due to donor-imposed restrictions on spending. In particular, and unlike prior law, it allows institutions to spend endowment funds below their original dollar amount (historic dollar value) without court approval or Attorney General review, if the institution's Board of Directors conclude that such spending is prudent. NYPMIFA also provides standards for the prudent management and investment of institutional funds, the delegation of management and investment functions to outside advisors, and procedures for lifting or modifying donor-imposed restrictions on the management, expenditure or use of institutional funds. NYPMIFA requires that Boards determine whether it is appropriate to consider alternatives before deciding whether to authorize expenditure of an endowment fund. It also requires that a notice be given to available donors of endowment funds who executed the gift instrument before September 17, 2010, allowing these donors to opt out of the new rule permitting institutions to spend below the historic dollar value of endowment funds. The Act also requires that the Foundation act "in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances," and must consider various factors such as economic conditions, purpose of endowment fund, etc. in managing and investing the endowment assets.

The Foundation has interpreted the 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 Foundation classifies as with donor restriction - perpetual in nature (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 in with donor restriction - perpetual in nature is classified as with donor restriction – purpose-restricted until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies, approved by its Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make any required annual distribution, while growing the funds if possible.

The Foundation's spending policy is limited to spending amounts prescribed by the donors. The Foundation expects the current spending policy to allow its endowment funds to maintain their purchasing power, as well as to provide additional real growth through investment return.

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no deficiencies as of June 30, 2019.

Investment income on the endowments is recorded as with donor restriction – purpose-restricted and is appropriated in accordance with the spending policy.

Changes in the endowment net assets are as follows:

Year ended June 30, 2019

	With Donor Restriction		Total
	Purpose Restricted	Perpetual in Nature	Endowment Net Assets
Endowment net assets, beginning of year	$ 3,702,057	$ 8,786,961	$ 12,489,018
Contributions	-	13,000	13,000
Expenditures	(755,012)	-	(755,012)
Investment return, net	369,199	35,017	404,216
Endowment Net Assets, end of year	$ 3,316,244	$ 8,834,978	$ 12,151,222

7. Transactions with Queens Borough Public Library

The Foundation was created to fundraise and obtain funding to help support the Library and its programs. The Foundation receives and records the contribution and grant revenue received from donors. These donations received are earmarked for specific programs and supplies for the Library. The Foundation only maintains expenses on its books for management and general and fundraising. and development. All program-related expenditures are reflected on the books of the Library, and an amount is allocated to the Foundation. The amount allocated to the Foundation for the year ended June 30, 2019 was $1,606,516.

At June 30, 2019, the Foundation had a balance due from the Library of $123,810. The Foundation also records in-kind development service revenue and the corresponding expense, which is related to wages and fringe benefits paid for by the Library on behalf of the Foundation. This amounted to $383,443 for 2019, as follows:

Year ended June 30, 2019		
Transfers to the Foundation from the Library	$	594,048
Transfers to the Library from the Foundation		(210,605)
Total	$	383,443

8. Functional Expenses

The costs of providing the Foundation's various activities have been summarized on a functional basis in the accompanying statement of activities.

Below is an analysis of expenses by function and nature:

Year ended June 30, 2019	Fundraising and Development	Management and General	Library Services	Total
Wages and fringe benefits	$ 734,465	$ 238,870	$ 704,619	$ 1,677,954
Books and other library materials	-	-	317,016	317,016
Programs (contracted services and exhibits	-	-	214,308	214,308
Information technology	51,141	-	107,448	158,589
Building maintenance and renovations	-	-	23,712	23,712
Contractual services	576,499	38,000	54,480	668,979
Contributed facilities	-	57,875	-	57,875
Supplies, equipment and furniture	13,829	-	116,222	130,051
Depreciation	-	-	57,919	57,919
Other	5,045	-	10,792	15,837
Total Functional Expenses	$ 1,380,979	$ 334,745	$ 1,606,516	$ 3,322,240

Direct expenses are assigned to the various programs and supporting services based upon actual costs incurred. Certain categories of expenses are attributable to one or more program or supporting functions of the Foundation. Those expenses are allocated based upon various allocation factors, including square footage occupied and estimates of time and effort.

9. Subsequent Events

The Foundation has evaluated subsequent events occurring after the statement of financial position date of June 30, 2019 through the date of December 17, 2019, which is the date the financial statements were available to be issued. No events arose during the period which would require adjustment or additional disclosure.