

# **The Queens Borough Public Library and Affiliate**

**Consolidated Financial Statements**  
Year Ended June 30, 2019

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Consolidated Financial Statements  
Year Ended June 30, 2019

# The Queens Borough Public Library and Affiliate

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## Independent Auditor's Report

Board of Trustees  
The Queens Borough Public Library and Affiliate  
Jamaica, New York

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

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated statement of financial position of The Queens Borough Public Library and Affiliate as of June 30, 2019, and the changes in their net assets and their 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 consolidated financial statements of The Queens Borough Public Library and Affiliate and our report, dated September 21, 2018, expressed an unmodified opinion on those audited consolidated 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 consolidated financial statements from which it has been derived.

*BDO USA, LLP*

September 20, 2019

# The Queens Borough Public Library and Affiliate

## Consolidated Statement of Financial Position (with comparative totals for 2018)

<i>June 30,</i>	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents:		
Checking accounts - interest bearing	\$ 14,614,308	\$ 10,199,437
Money market accounts	295,138	249,310
Cash on hand	41,652	39,877
<b>Total Cash and Cash Equivalents</b>	<b>14,951,098</b>	<b>10,488,624</b>
Accounts receivable	70,108	93,221
Grants and contracts receivable, net of allowance for doubtful accounts:		
New York City	9,160,972	11,514,311
New York State	3,487,896	5,936,627
Federal government	736,340	2,296,815
<b>Total Grants and Contracts Receivable, net of allowance for doubtful accounts</b>	<b>13,385,208</b>	<b>19,747,753</b>
Contributions receivable:		
From New York State	5,559,265	5,556,477
From individuals, corporations and foundations	183	90,866
<b>Total Contributions Receivable</b>	<b>5,559,448</b>	<b>5,647,343</b>
Prepaid expenses:		
Prepaid rent	104,725	110,289
Other assets	-	6,049
<b>Total Prepaid Expenses</b>	<b>104,725</b>	<b>116,338</b>
<b>Total Current Assets</b>	<b>34,070,587</b>	<b>36,093,279</b>
New York City Receivables, long-term portion	5,552,549	7,012,915
Long-Term Investments	31,227,845	30,368,654
<b>Fixed Assets, Net</b>	<b>37,803,069</b>	<b>38,653,604</b>
Security Deposit	27,367	27,367
<b>Total Assets</b>	<b>\$ 108,681,417</b>	<b>\$ 112,155,819</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,972,600	\$ 4,704,132
Accrued payroll and related expenses	3,547,323	3,403,995
Line of credit - bank	4,000,000	8,000,000
NYS Employee Retirement System, current portion	1,385,373	1,472,092
Compensated absences payable, current portion	307,525	276,061
Workers' compensation - self-insured incurred losses	482,024	337,477
Deferred revenue	2,288,816	1,545,114
<b>Total Current Liabilities</b>	<b>15,983,661</b>	<b>19,738,871</b>
NYS Employee Retirement System, long-term portion	5,552,549	7,012,915
Compensated Absences Payable, long-term portion	6,251,037	5,991,791
<b>Total Liabilities</b>	<b>27,787,247</b>	<b>32,743,577</b>
<b>Net Assets</b>		
Without donor restrictions - Board-designated	7,796,492	7,636,804
Without donor restrictions - undesignated	54,530,089	53,515,506
With donor restrictions (Note 13)	18,567,589	18,259,932
<b>Total Net Assets</b>	<b>80,894,170</b>	<b>79,412,242</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 108,681,417</b>	<b>\$ 112,155,819</b>

*See accompanying notes to consolidated financial statements.*

# The Queens Borough Public Library and Affiliate

## Consolidated Statement of Activities (with comparative totals for 2018)

*Year ended June 30,*

	Without Donor Restriction	With Donor Restriction	2019	2018
<b>Operating Revenue and Support</b>				
Operating revenue:				
Grants and contracts:				
City of New York	\$ 121,548,512	\$ -	\$121,548,512	\$ 114,595,476
State of New York	4,602,053	-	4,602,053	6,160,368
Federal Government	2,821,705	-	2,821,705	2,218,690
Contributions from individuals, corporations and foundations	725,258	1,064,596	1,789,854	3,173,421
Contributions from New York State	5,559,265	-	5,559,265	5,556,477
Contributed facilities	31,594,655	-	31,594,655	29,455,962
Contributed services	85,110	-	85,110	148,598
Releases from restrictions	1,619,936	(1,619,936)	-	-
<b>Total Operating Revenue (Expense)</b>	<b>168,556,494</b>	<b>(555,340)</b>	<b>168,001,154</b>	<b>161,308,992</b>
Support:				
Library fines and fees	1,236,976	-	1,236,976	1,275,826
Investment return, net	407,340	862,997	1,270,337	1,721,365
Other	156,991	-	156,991	196,847
<b>Total Support</b>	<b>1,801,307</b>	<b>862,997</b>	<b>2,664,304</b>	<b>3,194,038</b>
<b>Total Support and Operating Revenue</b>	<b>170,357,801</b>	<b>307,657</b>	<b>170,665,458</b>	<b>164,503,030</b>
<b>Expenses</b>				
Program services	151,852,901	-	151,852,901	142,222,546
Supporting services:				
Fundraising and development	1,380,979	-	1,380,979	1,356,942
Management and general	15,949,650	-	15,949,650	16,512,332
<b>Total Supporting Services</b>	<b>17,330,629</b>	<b>-</b>	<b>17,330,629</b>	<b>17,869,274</b>
<b>Total Expenses</b>	<b>169,183,530</b>	<b>-</b>	<b>169,183,530</b>	<b>160,091,820</b>
<b>Excess of Total Support and Operating Revenue Over Total Expenses</b>	<b>1,174,271</b>	<b>307,657</b>	<b>1,481,928</b>	<b>4,411,210</b>
<b>Net Assets, beginning of year</b>	<b>61,152,310</b>	<b>18,259,932</b>	<b>79,412,242</b>	<b>75,001,032</b>
<b>Net Assets, end of year</b>	<b>\$ 62,326,581</b>	<b>\$ 18,567,589</b>	<b>\$ 80,894,170</b>	<b>\$ 79,412,242</b>

*See accompanying notes to consolidated financial statements.*

# The Queens Borough Public Library and Affiliate

## Consolidated Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended June 30,</i>	2019	2018
<b>Cash Flows from Operating Activities</b>		
Cash received - New York city	\$ 125,362,217	\$ 117,473,193
Cash received - New York state	12,607,261	10,140,277
Cash received - federal government	4,382,180	1,633,336
Cash received - individuals, corporation and foundations	1,855,633	3,528,191
Cash received - customers	1,393,967	1,472,673
Cash received - investing	430,297	379,126
Cash paid - interest expense	(8,879)	(31,935)
Cash paid - employees' wages and fringe benefits	(110,185,419)	(105,444,236)
Cash paid - vendors and suppliers	(26,165,571)	(22,876,203)
<b>Net Cash Provided by Operating Activities</b>	<b>9,671,686</b>	<b>6,274,422</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales of investments	8,870,389	12,676,293
Purchase of fixed assets	(1,238,078)	(3,164,358)
Purchase of investments	(8,889,540)	(14,038,800)
<b>Net Cash Used in Investing Activities</b>	<b>(1,257,229)</b>	<b>(4,526,865)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit	4,000,000	8,000,000
Payments of line of credit	(8,000,000)	(4,723,946)
Contributions with donor restrictions (perpetual)	48,017	83,227
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(3,951,983)</b>	<b>3,359,281</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>4,462,474</b>	<b>5,106,838</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>10,488,624</b>	<b>5,381,786</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 14,951,098</b>	<b>\$ 10,488,624</b>

*See accompanying notes to consolidated financial statements.*



# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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### 1. Description of the Organization

The Queens Borough Public Library (Queens Library) is a body politic and corporate, incorporated by an Act of Incorporation of the New York State Legislature in 1907, which merged the Queens Borough Library, a not-for-profit corporation incorporated by the Regents of the University of the State of New York, into it. It is a free association library. In accordance with 1902 and 1907 agreements with The City of New York (The City), Queens Library provides free public library service in the Borough of Queens. In exchange, The City provides funding for Queens Library.

Although Queens Library is not a governmental institution, Queens Library receives a substantial amount of its support from The City in addition to support from other governmental entities and private sources. A significant reduction in the level of support provided by The City, if this were to occur, would have an effect on Queens Library's programs and activities. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by Queens Library with the terms of grants/contracts.

### 2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Queens Library and its affiliate, The Queens Library Foundation, Inc. (the Foundation) (collectively, the Library). The individual entities have common Trustees and share common facilities and personnel. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in consolidation.

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 on its books.

### 3. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with GAAP. In the consolidated 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 consolidated statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the consolidated 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 Library is limited by donor-imposed stipulations that either expire

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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by passage of time or can be fulfilled and removed by actions of the Library, 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 consolidated statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Library is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Library 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 Library 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, are 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 - Undesignated* - This class consists of net assets that are not subject to donor-imposed stipulations.

*Without Donor Restrictions - Board-Designated* - In 1999, the Board of Trustees established this fund with the objective of enhancing financial stability and building an adequate reserve to finance operation without the need for borrowings.

### *Cash and Cash Equivalents*

For purposes of the accompanying consolidated 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 Measurements*

Investments are measured at fair market value in the accompanying consolidated 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 consolidated statement of activities and changes in net assets. Purchases and sales are recorded on a trade-date basis.

GAAP 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 includes 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.

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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### *Third-Party Reimbursements and Revenue Recognition*

The Library receives contract and grant revenue from various governmental entities including New York State, New York City, and the federal government.

These contracts and grants are funded primarily on a cost reimbursement basis and in some instances involve the advance of funds. The Library recognizes revenue under these contracts when the expenses allowed under the contract have been incurred. In instances where the Library receives an advance of funds from the funding source, the entire amount will be recorded as deferred revenue and recognized in subsequent periods as the underlying expenses are incurred.

### *Accounts, Grants and Contracts Receivables and Doubtful Accounts*

Accounts, grants and contracts receivables are recorded at the reimbursable or contracted amount and do not bear interest. A substantial amount of these receivables are from governmental agencies and third-party reimbursement agencies. Periodically, the receivables are reviewed and evaluated as to their collectability. A receivable balance is considered past due once it has not been received by its scheduled due date. If necessary, an allowance is recorded based on those evaluations. At June 30, 2019, the organization recorded an allowance of \$1,623,211.

### *Contributions Receivable*

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, 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 Library 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. 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 Library 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.

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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

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

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### *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 Facilities*

The Library occupies, without charge, certain buildings owned by The City. In addition, the Library occupies buildings at below-market rent. The estimated fair rental value of these buildings is reported as support and expense in the period in which the premises are used. The City pays the utility costs of properties occupied by the Library. These costs are reported as contributed facilities with a corresponding expense. Amounts paid directly by The City for improvements to its existing Library-occupied buildings and new branch construction are not recorded by the Library, as amounts are not readily determinable or available, and are considered The City's assets.

### *Contributed Services*

Amounts are reported in the consolidated 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 if those services would typically be purchased if not provided by donation.

During the year ended June 30, 2019, the Library received contributed services from a significant number of individuals who volunteered their time and provided professional instructional services to the community. The value of these services is estimated at \$85,110 and has been provided for in the consolidated financial statements.

During the year ended June 30, 2019, the Library received a substantial amount of contributed clerical services from volunteers. Since these contributed services do not meet the criteria for accounting for contributions received no amounts have been reflected in the consolidated financial statements for these contributed services.

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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### *Applicability of the New York Prudent Management of Institutional Funds Act*

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). This law, which is a modified version of Uniform Prudent Management of Institutional Funds Act (UPMIFA), made 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.

### *Deferred Revenue*

Funds received under exchange contracts in advance of their usage are classified as deferred revenue in the accompanying consolidated statement of financial position.

### *Tax Status*

The Library qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue 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.

The organization 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 Library does not believe there are any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Library has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Library has filed the Internal Revenue Service Form 990 tax returns as required, and all other applicable returns in jurisdictions where so required. The Library is subject to routine audits by a taxing authority. As of June 30, 2019, the Library was not subject to any examination by a taxing authority.

### *Concentration of Credit Risk*

Financial instruments that potentially subject the Library 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 Library 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 consolidated financial statements are not comparative but include certain prior-year summarized comparative information. With respect to the consolidated 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

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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accepted in the United States of America. Accordingly, such information should be read in conjunction with the Library's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

### *Risks and Uncertainties*

The Library'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 Library's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

### *Compensated Absences*

The Library's policy for compensated absences is as follows:

*Annual Leave* - Annual Leave is granted based on time employed and employment status. In the first four years of employment, an employee will be granted 15 days of annual leave per year. Thereafter, annual leave accrual rates increase as an employee's service time increases, up to a maximum of 27 days per year. As of June 30, 2019, the Library's Annual Leave accrued compensation total was \$1,587,207.

*Sick Leave* - Sick Leave is granted based on employment status. Employees with a 35-hour work week accumulate sick leave at a rate of seven hours per month, and those with a 40-hour work week accumulate sick leave at a rate of eight hours per month. Part-time employees accumulate sick leave on a pro-rata basis, up to a total of 40 hours per year. As of June 30, 2019, the Library's Sick Leave accrued compensation total was \$4,971,355.

### *Component Unit*

The Library's consolidated financial statements for each fiscal year are included as a component unit in The City of New York's Comprehensive Annual Financial Report.

### *Recently Adopted Accounting Pronouncements*

#### *Not-for-Profit Financial Statement Reporting*

In August 2016, the FASB issued 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. The ASU was adopted by the Library in FY-19 and has been applied retrospectively to all periods presented.

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## Notes to Consolidated Financial Statements

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### *Accounting Pronouncements Issued but Not Yet Adopted*

#### *Revenue from Contracts with Customers*

In May 2014, the Financial Accounting Standards Board (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 Library until annual periods beginning after December 15, 2018. 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 Library is currently evaluating the impact of this ASU on its consolidated 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 to recognize 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 Library is currently evaluating the impact of the pending adoption of ASU 2016-02.

#### *Fair Value Measurement*

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Library's fiscal year 2021. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

#### *Reclassification*

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

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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### 4. Liquidity and Availability of Resources

The Library'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	\$	14,951,098
Grants and contracts receivable		13,385,208
Contribution receivable		5,559,448
<hr/>		
<b>Total Financial Assets Available to Management for General Expenditures Within One Year</b>		<b>33,895,754</b>
<hr/>		
Less:		
Amounts unavailable to Management for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		(9,732,611)
Restricted by donors in perpetuity		(8,834,978)
Amounts unavailable to management without Board's approval		(7,796,492)
<hr/>		
<b>Total Amounts Unavailable to Management for General Expenditures Within One Year</b>		<b>(26,364,081)</b>
<hr/>		
<b>Total Financial Assets Available to Management for General Expenditure Within One Year</b>	<b>\$</b>	<b>7,531,673</b>

As part of the Library'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 Library invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity issues, the Library has available a line of credit in the amount of \$10 million. At June 30, 2019, \$4,307,470 of the line of credit was available to draw upon.

### 5. New York State Contributions Receivable

The Library receives aid from New York State in the form of grants to help support ongoing Library activities. The Library recognizes these amounts when they are earned, and payment is anticipated. These amounts are recorded as increases in net assets without donor restrictions and are due in less than one year. At June 30, 2019, the outstanding receivable amount owed from New York State was \$5,559,265.

### 6. Contributions Receivable from Individuals, Corporations and Foundations

Contributions receivable consist of awards from various individual, corporations and foundations. All payments are expected to be collected in less than one year, unless otherwise stipulated by the donor. At June 30, 2019, the outstanding receivable amount owed from individuals, corporations and foundations was \$183.



# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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### 7. Investments, at Fair Value

The Library's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 3 for a discussion of the Library's policies regarding this hierarchy. The following are descriptions of the Library'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 Library's investments in exchange-traded funds, the Library 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, as determined by quoted market values. 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 Library has investments in fixed-income securities comprised of open-end funds. These investments are priced by the Library'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 Library 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 Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

The following table presents the Library'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			Total
	Level 1	Level 2	Level 3	
Money market	\$ 786,905	\$ -	\$ -	786,905
Equity	16,316,175	-	-	16,316,175
Exchange-traded funds	5,413,396	-	-	5,413,396
Fixed-income securities	8,711,369	-	-	8,711,369
<b>Total Investments, at fair value</b>	<b>\$ 31,227,845</b>	<b>\$ -</b>	<b>\$ -</b>	<b>31,227,845</b>

### 8. Fixed Assets, Net

Fixed assets consist of the following:

*June 30, 2019*

Buildings and building improvements	\$ 43,436,649
Leasehold improvements	1,874,670
Computers, related equipment and computer software	14,556,149
Office furniture, fixtures and equipment	5,020,558
Vehicles and mobile units	1,234,439
<b>Total Capital Assets</b>	<b>66,122,465</b>
Less: accumulated depreciation	(30,342,170)
Construction-in-progress	2,022,774
<b>Total Capital Assets, Net</b>	<b>\$ 37,803,069</b>

The estimated cost to complete the construction-in-progress is approximately \$5,032,000.

Depreciation expense for the year ended June 30, 2019 applicable to the above assets amounted to \$2,088,613.

### 9. Line of Credit

The Library has a \$10,000,000 line of credit from a financial institution for working capital purposes. Borrowings under the line of credit are collateralized by all of the Library's assets. The interest rate on the line of credit at June 30, 2019 was 3.9%. The line of credit expires on March 31, 2020. As of June 30, 2019, the outstanding amount on the line of credit was \$4,000,000.

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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### 10. Deferred Revenue

Deferred revenue is comprised of the following:

*June 30, 2019*

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NYS grants for programs	\$	2,288,816
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### 11. Pension Plans

#### *General Information*

The Library participates in the New York State Employees' Retirement System (the NYSERS). This is a cost-sharing multiple employer public employee retirement system. The NYSERS offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The State of New York requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the NYSERS's fiscal years when the local employer opts to participate in the program. The total unpaid liability was \$6,937,922 at June 30, 2019.

#### *Funding Policies*

The NYSERS is noncontributory for the employee who joined prior to July 27, 1976. For employees who joined the NYSERS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% to 3.5% of their salary. With the exception of Employee Retirement System (ERS) tier V and VI employees, employees in the NYSERS more than 10 years are no longer required to contribute. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' pension accumulation fund.

The Library is required to contribute at an actuarially determined rate. Library contributions made to the NYSERS were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	NYSERS
Fiscal years 2018-2019	\$ 10,185,565
Fiscal years 2017-2018	10,379,236
Fiscal years 2016-2017	9,819,445

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Pension expense recorded for fiscal year 2019 is \$8,706,018.

The Library's obligation to the NYSERS is funded annually by The City of New York as payments come due.

The Library was not listed in the plan's most recent available audited financial statements for providing more than 5% of the total contributions to the NYSERS plan for the year ended March 31, 2019. The Employer Identification Number for NYSERS is 14-6020869. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2019, which is based on the funded

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

ratio as of April 1, 2018 and is disclosed in the NYSERS plan's audited financial statements. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

Pension Fund	EIN Number	Plan Number	Pension Protection Act Zone Status 2019
New York State Employee Retirement System	14-6020869	50087	Green as of 3/31/19

### *Provisions and Administration*

NYSERS provides retirement benefits, as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

## 12. Debt

The changes in the Library's indebtedness are as follows:

*Year ended June 30, 2019*

	Balance, July 1, 2018	New Issues and/or Additions	Maturities and/or Payments	Total Long-Term Debt	Less Current Portion	Long-Term Debt, Less Current Portion
NYS employee's retirement system	\$8,485,007	\$ -	\$(1,547,085)	\$6,937,922	\$(1,385,373)	\$5,552,549
Compensated absences	6,267,852	480,995	(190,285)	6,558,562	(307,525)	6,251,037
	<u>\$14,752,859</u>	<u>\$ 480,995</u>	<u>\$(1,737,370)</u>	<u>\$13,496,484</u>	<u>\$(1,692,898)</u>	<u>\$11,803,586</u>

*Payments to Maturity* - Included in the current portion above is \$131,386 of accrued interest payable outstanding for NYSERS obligation and owed at June 30, 2019. The annual requirements to amortize the NYSERS obligations outstanding, including interest, are as follows:

*Year ending June 30,*

	Principal	Interest	Total
2020	\$ 1,253,987	\$ 225,751	\$ 1,479,738
2021	1,295,925	183,812	1,479,737
2022	1,339,283	140,455	1,479,738
2023	1,197,238	95,638	1,292,876
2024	929,086	56,315	985,401
2025-2026	791,017	32,969	823,986
	<u>\$ 6,806,536</u>	<u>\$ 734,940</u>	<u>\$ 7,541,476</u>

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

### 13. Net Assets with Donor Restrictions

The Library maintained 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
<b>Total Net Assets Restricted in Perpetuity</b>	<b>8,834,978</b>

#### Net Assets with Purpose Restrictions

Futures Fund for Children Services	5,213,908
Library materials	2,914,715
Children's programs	136,118
Job training programs	342,996
Literacy programs	120,769
New Americans services	131,385
Young adult programs	211,000
Buy-A-Book	68,999
Technology	528,826
Other	63,895
<b>Total Net Assets with Purpose Restrictions</b>	<b>9,732,611</b>

**\$ 18,567,589**

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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With donor restriction net assets that were released from restrictions by incurring expenses satisfying the restricted purpose during the year ended June 30, 2019 are as follows:

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Adult programs	\$	69,733
Branch maintenance		8,839
Buy a Book		73,615
Children's programs		319,322
Futures		35,629
Job programs		56,721
Library materials		322,747
Literacy programs		2,733
New Americans		11,060
Technology		202,527
Young adult programs		479,123
Other		37,887
	\$	1,619,936

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### *Net Assets Restricted in Perpetuity*

The State of New York enacted a version of 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 Trustees 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 Trustees concludes 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 Library 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 Library 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 Library 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

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

expenditure by the Library in a manner consistent with the standard of prudence prescribed by the Act. In accordance with NYPMIFA, the Library 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 Library, and (7) the Library's investment policies.

The Library 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, and 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 Library's spending policy is limited to spending amounts prescribed by the grantors. The Library 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 Library 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 Restrictions		Total Endowment Net Assets
	Purpose Restricted	Perpetual in Nature	
<b>Endowment Net Assets,</b>			
beginning of year	\$ 3,702,057	\$ 8,786,961	\$ 12,489,018
Contributions	-	13,000	13,000
Expenditures	(755,012)	-	(755,012)
Net investment income	369,199	35,017	404,216
<b>Endowment Net Assets, end of year</b>	<b>\$ 3,316,244</b>	<b>\$ 8,834,978</b>	<b>\$ 12,151,222</b>

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

### 14. Net Assets Without Donor Restrictions - Board-Designated

Activity in net assets without donor restrictions - Board-designated, are as follows:

*Year ended June 30, 2019*

Balance, beginning of year	\$	7,636,804
Additions to Board-designated net assets		217,199
Reductions of Board-designated net assets		(57,511)
<b>Balance, end of year</b>	<b>\$</b>	<b>7,796,492</b>

### 15. Contributed Facilities and Utilities

During each fiscal year, the value of facilities contributed to the Library by The City of New York consisted of the following:

*Year ended June 30, 2019*

Estimated rental value of properties	\$	28,670,030
Heat, light, and power		2,924,625
	<b>\$</b>	<b>31,594,655</b>

### 16. Functional Expenses

The Library provides free public library service in the Borough of Queens. A summary of the Library's functional allocation of expenses related to providing these services included in the accompanying consolidated statement of activities, is as follows:

*Year ended June 30, 2019*

	Fundraising and Development	Management and General	Program Services	Total
Wages	\$ 556,543	\$ 8,680,640	\$ 63,820,957	\$ 73,058,140
Fringe benefits	177,922	2,831,670	33,004,640	36,014,232
Books and other library materials	-	-	4,828,400	4,828,400
Programs (contracted services and exhibits)	-	-	1,130,860	1,130,860
Information technology	51,141	632,380	3,017,176	3,700,697
Building maintenance and renovations	-	-	3,594,855	3,594,855
Telecommunications	-	-	1,617,892	1,617,892
Building lease	-	-	2,096,427	2,096,427
Contractual services	576,499	1,395,025	1,321,601	3,293,125
Supplies, equipment and furniture	13,829	439,627	829,186	1,282,642
Use of contributed facilities and utilities	-	-	31,594,655	31,594,655
Use of contributed services	-	-	85,110	85,110
Property and casual insurance	-	1,068,911	-	1,068,911
Depreciation	-	539,060	1,549,553	2,088,613
Bad debt	-	-	3,250,246	3,250,246
Other	5,045	362,337	111,343	478,725
<b>Total Functional Expenses</b>	<b>\$ 1,380,979</b>	<b>\$ 15,949,650</b>	<b>\$ 151,852,901</b>	<b>\$ 169,183,530</b>



# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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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 Library. Those expenses are allocated based upon various allocation factors, including square footage occupied and time and effort. Depreciation is allocated based on estimated use of square footage. Employee expenses are allocated based on time studies. Other expenses are allocated based on estimates of time and effort.

### 17. Defined Contribution Plans

The Library offers three (3) contributory defined contribution plans, two 403(b) plans and one 457(b) plan. These plans are offered to all full-time employees with eligibility on the date of hire. The employee contribution is deducted from the salary as a pre-taxable benefit each pay period. Employees can contribute any amount of their compensation up to the maximum limits imposed by the IRS and other applicable regulations.

All employee accounts are 100% and immediately vested from their date of participation in the Plan. There is no employer contribution to the Plan and, when an employee leaves the Library, they can opt to leave their funds in the plan or transfer it in accordance with IRS guidelines and regulatory compliance.

### 18. Commitments and Contingencies

#### *Operating Leases*

The Library is obligated under several noncancelable operating leases for facilities expiring at various dates through July 2035. Minimum annual rental commitments at June 30, 2019 under noncancelable leases, exclusive of renewal options, are as follows:

#### *Year ending June 30, 2019*

2020	\$	1,059,734
2021		731,946
2022		486,065
2023		385,996
2024		318,465
Thereafter		1,044,409
	\$	4,026,615

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Building lease expense for the year ended June 30, 2019 was \$2,096,427.

#### *Self-Funded Workers' Compensation Program*

Effective July 1, 1995, the Library elected to self-insure workers' compensation. This election has been approved by the Workers' Compensation Board for the State of New York and a letter of credit in the amount of \$1,692,530 was sent to the New York State Workers' Compensation Board, Office of Self-Insurance, to secure the program. The letter of credit expires on July 1, 2020. The amount has been determined by the State of New York based upon the Library's loss exposure. The letter of credit is collateralized by the \$10 million line of credit with a bank.

# The Queens Borough Public Library and Affiliate

## Notes to Consolidated Financial Statements

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An excess loss insurance policy has been purchased to provide excess coverage for catastrophic loss exposures for claims occurring since the inception of the program. A third-party administrator specializing in the management of workers' compensation self-insurance is required and has been retained to manage the program.

### *Grants*

The Library participates in a number of federal, state and city assisted programs, which are subject to periodic program compliance audits by grantors or their representatives. The Library is subject to audits from federal agencies. Any noncompliance by the Library with the applicable programs determined as a result of these or other audits could have a material effect on the financial condition of the Library at some future date.

### **19. Subsequent Events**

The Library has evaluated subsequent events occurring after the consolidated statement of financial position date of June 30, 2019 through the date of September 20, 2019, which is the date the consolidated financial statements were available to be issued. No events arose during the period that would require adjustment or additional disclosure.