

The Queens Borough Public Library and Affiliate

Consolidated Financial Statements
Year Ended June 30, 2018

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Queens Borough Public Library and Affiliate (the Library), which comprise the consolidated statement of financial position as of June 30, 2018, 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, 2018, 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.

Emphasis of Matter

As described in Note 12, the Library restated the June 30, 2016 and June 30, 2017 net assets to reflect a restatement of donor-restricted funds. Our opinion on the consolidated financial statements is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the 2017 consolidated financial statements of The Queens Borough Public Library and Affiliate and our report, dated September 29, 2017, 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, 2017, is consistent, in all material respects, with the audited consolidated financial statements (as restated) from which it has been derived.

BDO USA, LLP

September 21, 2018

The Queens Borough Public Library and Affiliate

Consolidated Statements of Financial Position (with comparative totals for 2017)

<i>June 30,</i>	2018	2017 (restated)
Assets		
Current		
Cash and cash equivalents:		
Checking accounts - interest bearing	\$ 10,199,437	\$ 5,142,094
Money market accounts	249,310	200,206
Cash on hand	39,877	39,486
Total Cash and Cash Equivalents	10,488,624	5,381,786
Accounts receivable	93,221	43,889
Grants and contracts receivable:		
New York City	11,514,311	13,082,737
New York State	5,936,627	4,414,566
Federal government	2,296,815	1,711,461
Total Grants and Contracts Receivable	19,747,753	19,208,764
Contributions receivable:		
From New York State	5,556,477	5,501,970
From individuals, corporations and foundations	90,866	578,195
Total Contributions Receivable	5,647,343	6,080,165
Prepaid expenses:		
Prepaid insurance	-	878,763
Prepaid rent	110,289	100,720
Other assets	6,049	11,537
Total Prepaid Expenses	116,338	991,020
Total Current Assets	36,093,279	31,705,624
New York City Receivables, long-term portion	7,012,915	8,322,206
Long-Term Investments	30,368,654	27,663,908
Property, Plant, and Equipment, Net	38,653,604	37,599,900
Security Deposit	27,367	25,667
Total Assets	\$ 112,155,819	\$ 105,317,305
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,704,132	\$ 4,753,519
Accrued payroll and related expenses	3,403,995	3,053,664
Line of credit - bank	8,000,000	4,723,946
NYS Employee Retirement System, current portion	1,472,092	1,453,225
Compensated absences payable, current portion	276,061	95,891
Workers' compensation - self-insured incurred losses	337,477	283,825
Deferred revenue	1,545,114	1,529,532
Total Current Liabilities	19,738,871	15,893,602
NYS Employee Retirement System, long-term portion	7,012,915	8,322,206
Compensated Absences Payable, long-term portion	5,991,791	6,100,465
Total Liabilities	32,743,577	30,316,273
Net Assets		
Unrestricted - board designated	7,636,804	7,269,556
Unrestricted - others	53,515,506	51,589,844
Temporarily restricted	9,472,971	7,437,898
Permanently restricted	8,786,961	8,703,734
Total Net Assets	79,412,242	75,001,032
Total Liabilities and Net Assets	\$ 112,155,819	\$ 105,317,305

See accompanying notes to consolidated financial statements.

The Queens Borough Public Library and Affiliate

Consolidated Statement of Activities (with comparative totals for 2017)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017 (restated)
Operating Revenue and Support					
Operating revenue:					
Grants and contracts:					
City of New York	\$ 114,595,476	\$ -	\$ -	\$ 114,595,476	\$ 112,212,373
State of New York	6,160,368	-	-	6,160,368	2,404,280
Federal Government	2,218,690	-	-	2,218,690	2,088,176
Contributions from individuals, corporations and foundations	1,251,256	1,838,938	83,227	3,173,421	1,829,995
Contributions from New York State	5,556,477	-	-	5,556,477	5,680,733
Contributed facilities	29,455,962	-	-	29,455,962	26,847,228
Contributed services	148,598	-	-	148,598	154,980
Releases from restrictions	761,599	(761,599)	-	-	-
Total Operating Revenue	160,148,426	1,077,339	83,227	161,308,992	151,217,765
Support:					
Library fines and fees	1,275,826	-	-	1,275,826	1,446,460
Net investment income	763,631	957,734	-	1,721,365	2,694,052
Other	196,847	-	-	196,847	169,280
Total Support	2,236,304	957,734	-	3,194,038	4,309,792
Total Support and Revenue	162,384,730	2,035,073	83,227	164,503,030	155,527,557
Expenses					
Library services:					
Wages	61,227,120	-	-	61,227,120	59,479,720
Fringe benefits	31,806,299	-	-	31,806,299	30,482,535
Books and other library materials	5,771,580	-	-	5,771,580	5,955,259
Programs (contracted services and exhibits)	945,508	-	-	945,508	896,349
Information technology	2,691,236	-	-	2,691,236	2,398,056
Building maintenance and renovations	2,376,122	-	-	2,376,122	2,237,837
Telecommunications	1,758,103	-	-	1,758,103	1,737,189
Building lease	1,381,805	-	-	1,381,805	1,110,238
Contractual services	1,582,566	-	-	1,582,566	1,033,044
Supplies, equipment, and furniture	1,365,471	-	-	1,365,471	1,903,188
Use of contributed facilities	29,455,962	-	-	29,455,962	26,847,228
Use of contributed services	148,598	-	-	148,598	154,980
Depreciation	1,207,760	-	-	1,207,760	1,763,844
Other	504,416	-	-	504,416	137,681
Total Library Services	142,222,546	-	-	142,222,546	136,137,148
Supporting services:					
Fundraising and development:					
Wages	655,171	-	-	655,171	428,378
Fringe benefits	183,072	-	-	183,072	79,732
Contractual services	489,249	-	-	489,249	227,347
Supplies, equipment, and furniture	5,052	-	-	5,052	14,576
Other	24,398	-	-	24,398	1,947
Management and general:					
Wages	8,072,831	-	-	8,072,831	8,165,778
Fringe benefits	2,663,081	-	-	2,663,081	1,662,068
Information technology	835,136	-	-	835,136	287,400
Contractual services	2,351,978	-	-	2,351,978	2,590,936
Supplies, equipment, and furniture	616,198	-	-	616,198	493,225
Property and casualty insurance	1,018,459	-	-	1,018,459	820,623
Depreciation	902,894	-	-	902,894	417,999
Other	51,755	-	-	51,755	334,110
Total Supporting Services	17,869,274	-	-	17,869,274	15,524,119
Total Expenses	160,091,820	-	-	160,091,820	151,661,267
Excess of Support and Revenue Over Expenses	2,292,910	2,035,073	83,227	4,411,210	3,866,290
Net Assets, beginning of year, restated (Note 12)	58,859,400	7,437,898	8,703,734	75,001,032	71,134,742
Net Assets, end of year	61,152,310	9,472,971	8,786,961	\$ 79,412,242	\$ 75,001,032

See accompanying notes to consolidated financial statements.

The Queens Borough Public Library and Affiliate

Consolidated Statements of Cash Flows (with comparative totals for 2017)

<i>Year ended June 30,</i>	2018	2017
Cash Flows from Operating Activities		
Cash received - New York City	\$ 117,473,193	\$ 113,156,432
Cash received - New York State	10,140,277	8,069,993
Cash received - Federal Government	1,633,336	3,254,111
Cash received - individuals, corporation and foundations	3,528,191	2,447,306
Cash received - customers	1,472,673	1,615,740
Cash received - investing	379,126	311,211
Cash paid - interest expense	(31,935)	(26,844)
Cash paid - employees' wages and fringe benefits	(105,444,236)	(100,976,325)
Cash paid - vendors and suppliers	(22,876,203)	(24,675,754)
Net Cash Provided By Operating Activities	6,274,422	3,175,870
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	12,676,293	7,557,842
Purchase of property, equipment and computer software	(3,164,358)	(3,984,233)
Purchase of investments and certificates of deposit	(14,038,800)	(7,838,816)
Net Cash Used In Investing Activities	(4,526,865)	(4,265,207)
Cash Flows from Financing Activities		
Proceeds from line of credit	8,000,000	4,000,000
Payments of line of credit	(4,723,946)	(4,000,000)
Permanently restricted contributions	83,227	-
Net Cash Provided By Financing Activities	3,359,281	-
Net Increase (Decrease) in Cash and Cash Equivalents	5,106,838	(1,089,337)
Cash and Cash Equivalents, beginning of year	5,381,786	6,471,123
Cash and Cash Equivalents, end of year	\$ 10,488,624	\$ 5,381,786
Reconciliation of Net Operating Income to net Cash Provided By Operating Activities		
Operating income	\$ 4,411,210	\$ 3,866,290
Permanently restricted contributions	(83,227)	-
Depreciation expense	2,110,654	2,181,843
Net realized and unrealized (gain) on investments	(1,342,239)	(2,382,842)
Changes in assets and liabilities:		
Accounts receivable	(49,332)	223,494
Grants and contracts receivable	770,302	2,097,937
Contributions receivable	432,822	390,856
Prepaid expenses	874,682	(182,057)
Security deposit	(1,700)	-
Accounts payable	(49,387)	(2,903,864)
Accrued payroll and related expenses	350,331	447,598
New York State employees' retirement system	(1,290,424)	(1,247,254)
Compensated absences payable and self-insured incurred losses	125,148	(66,715)
Unearned revenue	15,582	750,584
Net Cash Provided By Operating Activities	\$ 6,274,422	\$ 3,175,870

See accompanying notes to consolidated financial statements.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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, may 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 the 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 outside 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 three classes of net assets—permanently restricted, temporarily restricted, and unrestricted—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

These classes of net assets are briefly defined as follows:

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor or other imposed stipulations.

Unrestricted - Board Designated - Net assets consisting of all assets or monies contributed to the Library, which are designated for future operations by the Board of Trustees of the Library.

Temporarily Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Library is limited by donor or other imposed stipulations that either expire by the 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, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets resulting from contributions and other inflows of assets whose use by the Library is limited by donor or other imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Library.

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. Cash and cash equivalents do not include the Library's money market funds, which are reflected with investments.

Investments and Fair Value Measurements

Investments include money market funds, equity securities, exchange-traded funds, mutual funds, and fixed income and hedge funds. These securities and funds are measured at fair market value in the accompanying consolidated statement of financial position. Investment income, net realized gains or losses on investment transactions and net unrealized gains or losses on investments are recorded when earned as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions or New York Prudent Management of Institutional Funds Act (NYPMIFA) in the accompanying consolidated statement of activities and changes in net assets. Purchases and sales are recorded on a trade-date basis.

Accounting Standards Codification (ASC) 820, "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 ASC 820 are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - 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.

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Notes to Consolidated Financial Statements

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Third-party Reimbursements and Revenue Recognition

The Library receives non-operating 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 Receivable and Doubtful Accounts

Accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. A substantial amount of this receivable is 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 these evaluations. At June 30, 2018, the organization determined that there was no allowance to be recorded.

Contributions Receivable

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted 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, 2018, 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.

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Notes to Consolidated Financial Statements

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:

Building	39 years
Building improvements	7-39 years
Office furniture, fixtures and equipment	5-7 years
Leasehold improvements	3-39 years
Vehicles	5 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, 2018.

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 use of contributed facilities support 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 which would typically be purchased if not provided by donation.

During the year ended June 30, 2018, 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 \$148,598 and has been provided for in the consolidated financial statements.

During the year ended June 30, 2018, 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.

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Notes to Consolidated Financial Statements

Applicability of the New York Prudent Management of Institutional Funds Act

On September 17, 2010, New York State enacted the NYPMIFA. This law, which is a modified version of UPMIFA, makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The new 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. This should provide some relief to organizations that, due to the recent economic downturn, have found themselves with underwater endowments. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable or wasteful. NYPMIFA applies to New York not-for-profit, education and religious corporations, associations organized and operated exclusively for charitable purposes, and certain trusts.

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. For the year ended June 30, 2018, there was no interest or penalties recorded or included in the consolidated statement of activities. The Library is subject to routine audits by a taxing authority. As of June 30, 2018, the Library was not subject to any examination by a taxing authority. For the year ended June 30, 2018, the Library had no unrelated business income.

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.

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Notes to Consolidated Financial Statements

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 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, 2017, 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.

Functional Allocation of Expenses

The costs of providing the Library's various programs and other activities have been summarized on a functional basis in the accompanying Notes to the consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited using specific identification and allocation methodology.

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 fifteen days of annual leave per year. Thereafter, annual leave accrual rates increase as an employee's service time increases, up to a maximum of twenty-seven days per year. As of June 30, 2018, the Library's Annual Leave accrued compensation total was \$1,295,627.

Sick Leave - Sick Leave is granted based on employment status. Employees with a thirty-five-hour work week accumulate sick leave at a rate of seven hours per month, and those with a forty-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 forty hours per year. As of June 30, 2018, the Library's Sick Leave accrued compensation total was \$4,460,861.

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Notes to Consolidated Financial Statements

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.

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.

Not-for-Profit Financial Statement Reporting

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses; and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Library's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are

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available for periods prior to adoption. Management of the Library is currently evaluating the impact of this ASU on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)." ASU 2015-07 was issued to address diversity in practice related to how certain investments measured at net asset value (NAV) with redemption dates in the future (including periodic redemption dates) are categorized within the fair value hierarchy. The amendments eliminate the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. As such, certain fair value leveling disclosures are no longer required, although information must be disclosed so that users can reconcile amounts reported in the fair value hierarchy to the statement of financial position. The amendments are effective retrospectively for annual reporting periods beginning after December 15, 2016. The Library has adopted this standard which is reflected in these consolidated financial statements. There was no material impact on the disclosures of the consolidated financial statements.

Reclassification

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

4. 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 unrestricted net assets and are due in less than one year. At June 30, 2018, the outstanding receivable amount owed from New York State was \$5,556,477.

5. Contributions Receivable, Net

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. Total contributions receivable at June 30, 2018 was \$90,866.

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Notes to Consolidated Financial Statements

6. Investments, at Fair Value

Cost and market values of investments are as follows:

June 30, 2018

	Cost	Market Value
Money market	\$ 589,644	\$ 589,644
Equity	12,000,582	14,245,116
Exchange traded funds	4,399,787	4,473,429
Fixed income	1,830,803	1,780,007
Mutual funds	9,241,860	9,280,458
Total Investments at Fair Value	\$ 28,062,676	\$ 30,368,654

The Library's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. 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.

Mutual Funds/Exchange-Traded Funds

For the Library's investments in the funds, the Library has ownership interest in the fund but not in the individual securities held by the fund. 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 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 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.

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Notes to Consolidated Financial Statements

The following summarizes the Library's net investment income:

June 30, 2018

Realized gain on investments	\$ 1,359,983
Change in unrealized gain on investments	(17,744)
Interest and dividend income	572,146
Investment fees	(193,020)
Investment Income, net	\$ 1,721,365

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, 2018

	Fair Market Value	Fair Value Measurement Using			Total
		Level 1	Level 2	Level 3	
Money market	\$ 589,644	\$ 589,644	\$ -	\$ -	\$ 589,644
Equity	14,245,116	14,245,116	-	-	14,245,116
Exchange traded funds	4,473,429	4,473,429	-	-	4,473,429
Fixed income mutual funds	1,780,007	1,780,007	-	-	1,780,007
Mutual funds	9,280,458	9,280,458	-	-	9,280,458
Total Investments, at fair value	\$ 30,368,654	\$ 30,368,654	\$ -	\$ -	\$ 30,368,654

7. Fixed Assets, Net

Land, building and operating assets consist of the following:

June 30, 2018

Buildings and building improvements	\$ 43,168,649
Leasehold improvements	1,874,671
Computers, related equipment, and computer software	13,781,182
Office furniture, fixtures, and equipment	5,201,918
Vehicles and mobile units	1,234,438
Total Capital Assets	65,260,858
Less: accumulated depreciation and amortization	(28,253,557)
Construction-in-progress	1,646,303
Total Capital Assets, net	\$ 38,653,604

The estimated cost to complete the construction-in-progress is approximately \$9,948,000.

Depreciation and amortization expense for the year ended June 30, 2018 applicable to the above assets amounted to \$2,110,654.

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Notes to Consolidated Financial Statements

8. 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, 2018 was 3.6%. The line of credit expires on March 31, 2019. As of June 30, 2018, the outstanding amount on the line of credit was \$8,000,000.

9. Deferred Revenue

Deferred revenue is comprised of the following:

June 30, 2018

NYS grants for programs	\$ 1,545,114
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10. 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.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2013-14, the amount in excess of the graded rate of 11.5% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent state fiscal years, the graded rate will increase or decrease by up to 1% depending on the gap between the increase or decrease in the NYSERS's average rate and the previous graded rate.
- For subsequent state fiscal years in which the NYSERS's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortization, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law 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 \$8,485,007 at June 30, 2018.

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 ERS tier V and VI employees, employees in the NYSERS

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more than ten 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 2017-2018	\$	10,379,236
Fiscal years 2016-2017		9,819,445

Pension expense recorded for fiscal year 2018 is \$9,126,655.

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 five percent of the total contributions to the plan for the year ended March 31, 2018. The Employer Identification Number for NYSERS is 14-6020869. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2018, which is based on the funded ratio as of April 1, 2017 and is disclosed in the 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 2018
New York State Employee Retirement System	14-602869	50087	Green as of 3/31/18

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.

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11. Long-Term Debt

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

Year ended June 30, 2018

	Balance, July 1, 2017	New Issues and/or Additions	Maturities and/or Payments	Total Long-Term Debt	Less Current Portion	Long-Term Debt, Less Current Portion
Employee's retirement system obligations	\$ 9,775,431	\$ -	\$ (1,290,424)	\$ 8,485,007	\$ (1,472,092)	\$ 7,012,915
Compensated absences	6,196,356	464,176	(392,680)	6,267,852	(276,061)	5,991,791
	\$ 15,971,787	\$ 464,176	\$ (1,683,104)	\$ 14,752,859	\$ (1,748,153)	\$ 13,004,706

Payments to Maturity - Included in the current portion above is \$162,801 of accrued interest payable outstanding for Employee's retirement system obligation and owed at June 30, 2018. The annual requirements to amortize the employee's retirement system obligations outstanding, including interest are as follows:

Year ending June 30,

	Principal	Interest	Total
2019	\$ 1,309,291	\$ 281,438	\$ 1,590,729
2020	1,354,659	236,070	1,590,729
2021	1,401,632	189,097	1,590,729
2022	1,339,283	140,455	1,479,738
2023	1,197,238	95,638	1,292,876
2024-2026	1,720,103	89,284	1,809,387
	\$ 8,322,206	\$ 1,031,982	\$ 9,354,188

12. Restatement of Net Assets

The net assets of the Library were restated to reflect reclassification across net asset groupings due to the determination that particular temporarily restricted net assets should actually be recorded as unrestricted net assets as of June 30, 2016 and June 30, 2017.

	Unrestricted Net Assets	Temporarily Restricted
Net Assets, as previously reported at June 30, 2016	\$ 55,212,692	\$ 7,243,336
To re-allocate net assets, net of releases, for reclassification of restrictions for FY 2016	305,339	(305,339)
Net Assets, at June 30, 2016, as restated	55,518,031	6,937,997
Change in net assets as previously reported	3,224,204	617,066
To re-allocate net assets, net of releases, for reclassification of restrictions for FY 2017	117,165	(117,165)
Net Assets, at June 30, 2017, as restated	\$ 58,859,400	\$ 7,437,898

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Notes to Consolidated Financial Statements

13. Temporarily Restricted Net Assets

At June 30, 2018, the Library maintained the following temporarily restricted net assets:

Futures Fund for Children Services	\$ 4,975,011
Library renovations	145,088
Children's programs	218,855
Job training programs	41,957
Literacy programs	9,495
New Americans services	12,923
Young adult programs	417,717
Buy-A-Book	123,160
Technology	305,956
Library materials	3,052,168
Other	170,641
	<hr/>
	\$ 9,472,971

Temporarily restricted net assets that were released from restrictions by incurring expenses satisfying the restricted purpose during the year ended June 30, 2018 are as follows:

Futures Fund for Children Services	\$ 50,499
Children's programs	90,286
Literacy programs	98,132
Adult programs	186,625
New Americans services	12,572
Young adult programs	116,331
Buy-a-Book	81,902
Library materials	125,252
	<hr/>
	\$ 761,599

14. Permanently Restricted Net Assets

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,

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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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for 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, 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 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.

Investment income on the endowments is recorded as temporarily restricted net assets and is appropriated in accordance with the spending policy.

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The balance in the endowments which are all classified as permanently restricted on the consolidated statement of financial position is as follows:

June 30, 2018

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		386,000
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		527,798
Forever Fausta - Language and Learning Endowment to be used for the Hunters Point Library		48,206
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		500,000
	\$	8,786,961

Changes in the endowment net assets are as follows:

Year ended June 30, 2018

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,744,323	\$ 8,703,734	\$ 11,448,057
Contributions	-	83,227	83,227
Investment income	1,069,183	-	1,069,183
Investment management fees	(111,449)	-	(111,449)
Endowment Net Assets, end of year	\$ 3,702,057	\$ 8,786,961	\$ 12,489,018

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, 2018

Estimated rental value of properties	\$	26,554,688
Heat, light, and power		2,901,274
	\$	29,455,962

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16. Functional Expenses

The Library provides free public library service in the Borough of Queens. Expenses related to providing these services included in the accompanying consolidated statement of activities are as follows:

Year ended June 30, 2018

Library services	\$ 142,222,546
Fundraising and development	1,356,942
Management and general	16,512,332
Total Expenses	\$ 160,091,820

17. 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, 2018 under noncancelable leases, exclusive of renewal options, are as follows:

Year ending June 30, 2018

2019	\$ 1,190,585
2020	1,178,698
2021	831,166
2022	663,351
2023	505,155
2024 and thereafter	1,488,189
	\$ 5,857,144

Rental expense for the year ended June 30, 2018 was \$1,381,805.

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, 2019. 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 TD Bank.

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.

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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. Audits of the Library by federal agencies are currently ongoing. 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.

18. Subsequent Events

The Library has evaluated subsequent events occurring after the consolidated statement of financial position date of June 30, 2018 through the date of September 21, 2018, which is the date the consolidated financial statements were available to be issued. No events arose during the period which would require adjustment or additional disclosure.