

The Queens Borough Public Library and Affiliate

Consolidated Financial Statements
Year Ended June 30, 2020

The Queens Borough Public Library and Affiliate

Consolidated Financial Statements
Year Ended June 30, 2020

The Queens Borough Public Library and Affiliate

Contents

Independent Auditor's Report	3-4
Consolidated Financial Statements	
Consolidated Statement of Financial Position as of June 30, 2020 (with comparative totals for 2019)	5
Consolidated Statement of Activities for the Year Ended June 30, 2020 (with comparative totals for 2019)	6
Consolidated Statement of Cash Flows for the Year Ended June 30, 2020 (with comparative totals for 2019)	7
Notes to Consolidated Financial Statements	8-28



Independent Auditor's Report

The 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, 2020, 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, 2020, 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 2019 consolidated financial statements of The Queens Borough Public Library and Affiliate and our report, dated September 20, 2019, 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, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

September 25, 2020

The Queens Borough Public Library and Affiliate

Consolidated Statement of Financial Position (with comparative totals for 2019)

June 30,	2020	2019
Assets		
Current		
Cash and cash equivalents:		
Checking accounts—interest bearing	\$ 11,229,623	\$ 14,614,308
Money market accounts	14,410,651	295,138
Cash on hand	37,925	41,652
Total Cash and Cash Equivalents	25,678,199	14,951,098
Accounts receivable	47,496	70,108
Grants and contracts receivable, net of allowance for doubtful accounts:		
New York City	2,796,982	9,160,972
New York State	2,480,394	3,487,896
Federal government	1,277,143	736,340
Total Grants and Contracts Receivable, net of allowance for doubtful accounts	6,554,519	13,385,208
Contributions receivable:		
From New York State	4,438,449	5,559,265
From individuals, corporations and foundations	1,202,225	183
Total Contributions Receivable	5,640,674	5,559,448
Prepaid expenses:		
Prepaid rent	101,201	104,725
Other assets	53,682	-
Total Prepaid Expenses	154,883	104,725
Total Current Assets	38,075,771	34,070,587
New York City Receivables, long-term portion	4,256,624	5,552,549
Long-Term Investments	36,095,762	31,227,845
Fixed Assets, Net	33,322,026	37,803,069
Security Deposit	25,667	27,367
Total Assets	\$ 111,775,850	\$ 108,681,417
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,548,396	\$ 3,972,600
Accrued payroll and related expenses	4,413,509	3,547,323
Line of credit—bank	-	4,000,000
NYS Employee Retirement System, current portion	1,403,302	1,385,373
Compensated absences payable, current portion	342,664	307,525
Workers' compensation—self-insured incurred losses	604,584	482,024
Deferred revenue	3,628,570	2,288,816
Total Current Liabilities	15,941,025	15,983,661
NYS Employee Retirement System, long-term portion	4,256,624	5,552,549
Compensated Absences Payable, long-term portion	8,913,550	6,251,037
Total Liabilities	29,111,199	27,787,247
Net Assets		
Without donor restrictions—Board-designated	8,993,097	7,796,492
Without donor restrictions—undesignated	53,682,478	54,530,089
With donor restrictions (Note 13)	19,989,076	18,567,589
Total Net Assets	82,664,651	80,894,170
Total Liabilities and Net Assets	\$ 111,775,850	\$ 108,681,417

See accompanying notes to consolidated financial statements.

The Queens Borough Public Library and Affiliate

Consolidated Statement of Activities (with comparative totals for 2019)

Year ended June 30,

	Without Donor Restriction	With Donor Restriction	2020	2019
Operating Revenue and Support				
Operating revenue:				
Grants and contracts:				
City of New York	\$ 133,954,187	\$ -	\$ 133,954,187	\$ 121,548,512
State of New York	3,043,435	-	3,043,435	4,602,053
Federal Government	2,475,246	-	2,475,246	2,821,705
Contributions from individuals, corporations and foundations	709,922	2,262,698	2,972,620	1,789,854
Contributions from New York State	5,556,478	-	5,556,478	5,559,265
Contributed facilities	28,592,665	-	28,592,665	31,594,655
Contributed services	60,300	-	60,300	85,110
Releases from restrictions	1,576,165	(1,576,165)	-	-
Total Operating Revenue	175,968,398	686,533	176,654,931	168,001,154
Support:				
Library fines and fees	894,180	-	894,180	1,236,976
Investment income, net	364,704	734,954	1,099,658	1,270,337
Other	1,274,558	-	1,274,558	156,991
Total Support	2,533,442	734,954	3,268,396	2,664,304
Total Support and Operating Revenue	178,501,840	1,421,487	179,923,327	170,665,458
Expenses				
Program services	159,599,552	-	159,599,552	151,852,901
Supporting services:				
Fundraising and development	1,832,480	-	1,832,480	1,380,979
Management and general	16,720,814	-	16,720,814	15,949,650
Total Supporting Services	18,553,294	-	18,553,294	17,330,629
Total Expenses	178,152,846	-	178,152,846	169,183,530
Excess of Total Support and Operating Revenue Over Total Expenses	348,994	1,421,487	1,770,481	1,481,928
Net Assets, beginning of year	62,326,581	18,567,589	80,894,170	79,412,242
Net Assets, end of year	\$ 62,675,575	\$ 19,989,076	\$ 82,664,651	\$ 80,894,170

See accompanying notes to consolidated financial statements.

The Queens Borough Public Library and Affiliate

Consolidated Statement of Cash Flows (with comparative totals for 2019)

<i>Year ended June 30,</i>	2020	2019
Cash Flows from Operating Activities		
Cash received—New York city	\$ 141,614,102	\$ 125,362,217
Cash received—New York state	10,728,231	12,607,261
Cash received—federal government	1,934,443	4,382,180
Cash received—individuals, corporation and foundations	1,748,943	1,855,633
Cash received—customers	2,168,738	1,393,967
Cash received—investing	570,442	430,297
Cash paid—interest expense	(3,423)	(8,879)
Cash paid—employees’ wages and fringe benefits	(110,712,761)	(110,185,419)
Cash paid—vendors and suppliers	(31,761,980)	(26,165,571)
Net Cash Provided by Operating Activities	16,286,735	9,671,686
Cash Flows from Investing Activities		
Proceeds from sales of investments	9,723,503	8,870,389
Purchase of investments	(14,062,204)	(8,889,540)
Purchase of fixed assets	(451,775)	(1,238,078)
Disposal of property	4,283,201	-
Net Cash Used in Investing Activities	(507,275)	(1,257,229)
Cash Flows from Financing Activities		
Gain on sale of property	(1,096,606)	-
Proceeds from line of credit	-	4,000,000
Repayments on line of credit	(4,000,000)	(8,000,000)
Contributions with donor restrictions (perpetual)	44,247	48,017
Net Cash Used in Financing Activities	(5,052,359)	(3,951,983)
Net Increase in Cash and Cash Equivalents	10,727,101	4,462,474
Cash and Cash Equivalents, beginning of year	14,951,098	10,488,624
Cash and Cash Equivalents, end of year	\$ 25,678,199	\$ 14,951,098

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, 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 (U.S. 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 U.S. 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.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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 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 or board-designated restrictions.

Without Donor Restrictions—Board-Designated - 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 U.S. GAAP in the accompanying consolidated statement of activities and changes in net assets. Purchases and sales are recorded on a trade-date basis.

U.S. 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 U.S. GAAP are described below:

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

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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.

Third-Party Reimbursements and Revenue Recognition

The Library receives contract and grant revenue from various governmental entities, including New York State, The 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, 2020, the organization recorded an allowance of \$2,384,215 relating to grants and contracts receivable.

Contributions and Contributions Receivable

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged at their net realizable value. Unconditional promises to give, which are to be received after one year, are discounted using an appropriate discount rate (credit-adjusted) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue, in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are charged to bad debt when they are deemed to be uncollectible based upon a periodic review of the accounts by management. The Library writes off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and subsequently released when the restrictions are met.

Contributions subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions. Conditional promises to give and

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

intentions to give are not recognized until they become unconditional - that is, when the conditions on which they depend are substantially met.

At June 30, 2020, management recorded an allowance of \$1,118,029 relating to contributions receivable.

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, 2020, 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 \$60,300 and has been recorded in contributed services in the consolidated statement of activities in the consolidated financial statements.

During the year ended June 30, 2020, 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.

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

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:

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

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, 2020.

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 or the Act), 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

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

where so required. The Library is subject to routine audits by a taxing authority. As of June 30, 2020, 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 reviews bank and investment accounts on a regular basis. 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Library's consolidated financial statements for the year ended June 30, 2019, 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.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In order to help stem the spread of COVID-19, the Library has temporarily closed all of its physical locations on March 16, 2020 and reduced its business activity to only critical operations to protect its employees and customers from the spread of this virus, consistent with governmental restrictions and guidance. The corporate headquarters were closed, except for functions related to the support of remote workers. While the Library considers these closures to be temporary, if they continue, this may adversely affect revenue expectations for fiscal year 2021 and the Library's overall liquidity. Subsequent to year end, the Library has slowly started to reopen some of its physical locations for to-go services and corporate headquarters for support services at reduced capacity.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

The Library's operations are heavily dependent on funding from The City to provide services to the public. Additionally, funding from The City may be subject to budget modifications depending on appropriations by The City. The Library's capital projects were delayed. The Library has incurred, and it is expected to incur for the foreseeable future, incremental and other COVID-19 pandemic related expenses. COVID-19 related expenses consist of additional costs that the Library is incurring to protect its employees, contractors and customers, and to support social distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies, additional facility cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on the Library's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Although the Library cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Library's results of future operations, financial position, and liquidity in fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The Library did not defer or delay any timely payment of payroll taxes during the quarter April 1, 2020 through June 30, 2020.

Based on the CARES Act, the Library is eligible for The Employee Retention Credit. The qualified wages paid for the second quarter of 2020 for the employee retention credit are \$4,249,576. The employee retention credit allows for a refund equal to 50% of the qualified wages.

At this time, the Library does not intend to apply for the Paycheck Protection Program loans, as well as Economic Injury Disaster Loans.

The Library's management continues to examine the impact that the CARES Act may have on its business.

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, 2020, the Library's Annual Leave accrued compensation total was \$4,110,424.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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, 2020, the Library's Sick Leave accrued compensation total was \$5,159,220.

During fiscal year 2020, there was a one-time change to the annual leave policy for all employees due to COVID-19. This change allowed all employees to have their unused annual leave automatically carried over into the next fiscal year. Any bonus days and floating holidays carried over must be used in the first six months of the next fiscal year (by December 31, 2020).

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

Contributions Received and Made

In June 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. This update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Library follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Library's fiscal year 2020, and the adoption of this update did not have a material impact on the Library's financial statements. Refer to Note 19 for the conditional grants at June 30, 2020.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers

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

The Queens Borough Public Library and Affiliate

Notes to 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, 2021, and the Library is currently evaluating the impact of the adoption of this ASU on its consolidated financial statements.

Fair Value Measurement

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

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, 2020

Cash and cash equivalents	\$	25,678,199
Grants and contracts receivable		6,554,519
Accounts receivable		47,496
Contributions receivable		5,640,674
Total Financial Assets Available to Management for General Expenditures Within One Year		37,920,888
Less: amounts unavailable to Management for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		(11,109,853)
Restricted by donors in perpetuity		(8,879,223)
Total Amounts Unavailable to Management for General Expenditures Within One Year		(19,989,076)
Amounts unavailable to Management without Board's approval		(8,993,097)
Total Amounts Unavailable to Management Without Board's Approval		(8,993,097)
Total Financial Assets Available to Management for General Expenditure Within One Year	\$	8,938,715

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.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

At June 30, 2020, \$2,096,476 was carved out of the line of credit for workers' compensation and \$7,903,524 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, 2020, the outstanding receivable amount owed from New York state was \$4,438,449, net of allowance.

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, 2020, the outstanding receivable amount owed from individuals, corporations and foundations was \$1,202,225.

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 U.S. 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 Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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 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, 2020

	Fair Value Measurement Using			Total
	Level 1	Level 2	Level 3	
Money market	\$ 811,448	\$ -	\$ -	\$ 811,448
Equity	19,577,081	-	-	19,577,081
Exchange-traded funds	5,419,235	-	-	5,419,235
Fixed-income securities	10,287,998	-	-	10,287,998
Total Investments, at fair value	\$ 36,095,762	\$ -	\$ -	\$ 36,095,762

8. Fixed Assets, Net

Fixed assets consist of the following:

June 30, 2020

Buildings and building improvements	\$ 39,896,442
Leasehold improvements	1,874,670
Computers, related equipment and computer software	14,565,497
Office furniture, fixtures and equipment	5,020,558
Vehicles and mobile units	1,234,439
Total Capital Assets	62,591,606
Less: accumulated depreciation	(31,496,391)
Construction-in-progress	2,226,811
Total Capital Assets, Net	\$ 33,322,026

The estimated cost to complete the construction-in-progress is approximately \$9,949,000.

Depreciation expense for the year ended June 30, 2020 applicable to the above assets amounted to \$1,746,223.

In August 2019, the Library sold a property and recognized a \$1,096,606 gain on the sale.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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 line of credit expires on March 31, 2021. As of June 30, 2020, there was no outstanding balance on the line of credit.

10. Deferred Revenue

Deferred revenue is comprised of the following:

June 30, 2020

NYS grants for programs	\$ 3,628,570
-------------------------	--------------

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 \$5,659,926 at June 30, 2020.

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 New York State 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 2019-2020	\$ 10,644,999
Fiscal years 2018-2019	10,185,565
Fiscal years 2017-2018	10,379,236

Pension expense recorded for fiscal year 2020 is \$9,399,012.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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, 2020. The Employer Identification Number for NYSERS is 14-6020869. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2020, which is based on the funded ratio as of April 1, 2019 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
			2020
New York State Employee Retirement System	14-6020869	50087	Green as of March 31, 2020

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, 2020

	NYS Employee's Retirement System	Compensated Absences	Total
Balance, July 1, 2019	\$ 6,937,922	\$ 6,558,562	\$ 13,496,484
New issues and/or additions	-	3,145,734	3,145,734
Maturities and/or payments	(1,277,996)	(448,082)	(1,726,078)
Total Long-Term Debt	5,659,926	9,256,214	14,916,140
Less: current portion	(1,403,302)	(342,664)	(1,745,966)
Long-Term Debt, less current portion	\$ 4,256,624	\$ 8,913,550	\$ 13,170,174

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

Payments to Maturity - Included in the current portion above is \$107,377 of accrued interest payable outstanding for NYSERS obligation and owed at June 30, 2020. The annual requirements to amortize the NYSERS obligations outstanding, including interest, are as follows:

Year ending June 30,

	Principal	Interest	Total
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	535,329	24,913	560,242
2026-2027	255,688	8,056	263,744
	\$ 5,552,549	\$ 509,189	\$ 6,061,738

The remainder of this page intentionally left blank.

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, 2020

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	411,000
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	557,996
Forever Fausta - Language and Learning Endowment to be used for the Hunters Point Library	50,206
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	535,064
Total Net Assets Restricted in Perpetuity	8,879,223

Net Assets with Purpose and Time Restrictions

Adult programs	148,784
Branch maintenance	45,460
Buy a Book	81,080
Children's programs	117,144
Futures	5,334,969
Job programs	6,181
Library materials	3,279,617
Literacy programs	373,301
New Americans	21,936
Renovations	76,109
Technology	471,490
Young adult programs	1,110,820
Other	42,962

Total Net Assets with Purpose and Time Restrictions	11,109,853
------------------------------------------------------------	-------------------

\$ 19,989,076

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

With donor restriction net assets that were released from restrictions by incurring expenses satisfying the restricted purpose during the year ended June 30, 2020 are as follows:

Adult programs	\$	64,045
Branch maintenance		42,412
Buy a Book		20,831
Children's programs		63,138
Futures		37,813
Library materials		671,730
Literacy programs		187,964
New Americans		10,444
Other		19,976
Technology		232,792
Young adult programs		225,020
	\$	1,576,165

Net Assets Restricted in Perpetuity

The State of New York enacted a version of UPMIFA, 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 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

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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, 2020.

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, 2020

	With Donor Restrictions		Total Endowment Net Assets
	Purpose Restricted	Perpetual in Nature	
Endowment Net Assets, beginning of year	\$ 3,316,244	\$ 8,834,978	\$ 12,151,222
Contributions	-	14,000	14,000
Expenditures	(367,994)	-	(367,994)
Net investment income	482,632	30,245	512,877
Endowment Net Assets, end of year	\$ 3,430,882	\$ 8,879,223	\$ 12,310,105

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, 2020

Balance, beginning of year	\$	7,796,492
Additions to Board-designated net assets		1,246,095
Reductions of Board-designated net assets		(49,490)
Balance, end of year	\$	8,993,097

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, 2020

Estimated rental value of properties	\$	26,696,168
Heat, light, and power		1,896,497
	\$	28,592,665

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, 2020

		Fundraising and Development	Management and General	Program Services	Total
Wages	\$	704,677	\$ 10,154,504	\$ 65,225,130	\$ 76,084,311
Fringe benefits		247,868	2,703,573	33,962,849	36,914,290
Books and other library materials		-	-	7,692,217	7,692,217
Programs (contracted services and exhibits)		-	-	622,202	622,202
Information technology		68,914	620,630	3,778,034	4,467,578
Building maintenance and renovations		-	3,111	4,272,009	4,275,120
Telecommunications		-	1,800	1,398,755	1,400,555
Building lease		-	-	1,040,452	1,040,452
Contractual services		742,641	1,160,738	958,679	2,862,058
Supplies, equipment and furniture		11,956	369,439	794,790	1,176,185
Use of contributed facilities and utilities		-	-	28,592,665	28,592,665
Use of contributed services		-	-	60,300	60,300
Property and casual insurance		-	1,198,384	-	1,198,384
Depreciation		-	353,780	1,392,443	1,746,223
Bad debt		-	-	9,633,907	9,633,907
Other		56,424	154,855	175,120	386,399
Total Functional Expenses	\$	1,832,480	\$ 16,720,814	\$159,599,552	\$178,152,846

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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) retirement plans, two 403(b) plans and one 457(b) plan. The 403(b) plans are offered to all full-time employees with eligibility on the date of hire. The 457(b) plan is offered to executive staff only. 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 plans. There is no employer contribution to the plans 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

Post-Retirement Benefits

The Library contributes to a multi-employer, post-retirement benefit plan that provides defined-benefit health-care benefits to substantially all employees upon retirement. The Library records related expenses as payments are made. The city of New York appropriates funds to cover the full cost of post-retirement benefits for Library employees each year as payments are made. Amounts charged to expense amounted to approximately \$2,973,651 in fiscal year 2020.

Operating Leases

The Library is obligated under several noncancelable operating leases for facilities expiring at various dates through December 2030. Minimum annual rental commitments at June 30, 2020 under noncancelable leases, exclusive of renewal options, are as follows:

Year ending June 30, 2020

2021	\$	1,242,997
2022		1,255,057
2023		1,111,525
2024		982,721
2025		1,612,002
Thereafter		3,345,631
	\$	9,549,933

Building lease expense for the year ended June 30, 2020 was \$1,040,452.

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

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 \$2,096,476 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.

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.

Legal Matters

The Library is involved in certain disputes arising from the normal course of its business. In the opinion of management and on the advice of legal counsel, the expected outcome of such disputes, in the aggregate, will not have a material adverse effect on the Library's financial position.

New York City Comptroller Audit

The New York City Comptroller's office is currently reviewing the Library's compliance with the Comptroller's recommendations made in its July 2015 audit report. The Library is in the final stages of the review, but they have yet to receive the formal results from the NYC Comptroller's office.

Third Party Vendor Ransomware Attack

On July 16, 2020, the Library was notified by its third party vendor that manages its donor information that a ransomware attack occurred in May 2020 on the third party vendor's back up system in which certain data was exfiltrated. The third party vendor took immediate and decisive action to address the incident. The Library has notified its donors of this incident. This incident has had no impact on the Library's operations or the data on the Library's system. As of the date of this report, the Library cannot estimate the financial impact this event will have on their financial position, if any, and as a result, the Library has not accrued any liability.

19. Conditional Grants

The Library has grant agreements with several donors that consists of providing conditional funding in future years, amounting to approximately \$324,195 at June 30, 2020. A corresponding grant receivable has not been recorded on the statement of financial position, as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises

The Queens Borough Public Library and Affiliate

Notes to Consolidated Financial Statements

to give are recognized when the conditions on which they depend upon are substantially met. Until that point any amounts that are received are recorded as refundable advances.

20. Subsequent Events

Effective July 2020, in response to the COVID-19 pandemic, the Library furloughed all hourly employees for an indefinite amount of time.

The Library's management has performed subsequent event procedures through September 25, 2020, which is the date the consolidated financial statements were available to be issued, and there were no additional subsequent events requiring adjustments to the consolidated financial statements or disclosures as stated herein other than the matter discussed above.