

THE QUEENS LIBRARY FOUNDATION, INC.
Financial Statements
June 30, 2014
(With Independent Auditors' Report Thereon)

THE QUEENS LIBRARY FOUNDATION, INC.

Table of Contents

| | <u>Page</u> |
|----------------------------------|-------------|
| Independent Auditors' Report | 1 - 2 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 16 |

* * * * *

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Queens Library Foundation, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of The Queens Library Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Queens Library Foundation, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, which were audited by other auditors whose report dated November 6, 2013, expressed an unmodified opinion, from which the summarized information was derived.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 26, 2015

The Queens Library Foundation, Inc.

Statements of Financial Position

June 30, 2014 and 2013

| | 2014 | 2013 |
|---|-----------------------------|-----------------------------|
| Current Assets | | |
| Cash and Cash Equivalents | \$ 397,821 | \$ 1,494,850 |
| Receivables | | |
| From Individuals, Corporations, and Foundations, including unconditional promises to give | <u>672,230</u> | <u>787,020</u> |
| Total Current Assets | <u>1,070,051</u> | <u>2,281,870</u> |
| Receivables from Individuals, Corporations, and Foundations including unconditional promises to give | <u>661,460</u> | <u>847,754</u> |
| Property and Equipment, net | <u>314,199</u> | <u>191,704</u> |
| Other Assets | | |
| Prepaid Expenses | 92 | 37,262 |
| Long Term Investments | 13,266,403 | 10,718,304 |
| Due From the Queens Borough Public Library | <u>893,767</u> | <u>1,252,750</u> |
| Total Other Assets | <u>14,160,262</u> | <u>12,008,316</u> |
| Total Assets | <u>\$ 16,205,972</u> | <u>\$ 15,329,644</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts Payable | 119,611 | 246,369 |
| Accrued Payroll and Related Expenses | <u>18,594</u> | <u>22,681</u> |
| Total Liabilities | <u>138,205</u> | <u>269,050</u> |
| Net Assets | | |
| Invested in Capital Assets | 314,199 | 191,704 |
| Unrestricted - Other | <u>364,761</u> | <u>460,581</u> |
| Total Unrestricted | 678,960 | 652,285 |
| Temporarily Restricted | 7,560,117 | 7,309,900 |
| Permanently Restricted | <u>7,828,690</u> | <u>7,098,409</u> |
| Total Net Assets | <u>16,067,767</u> | <u>15,060,594</u> |
| Total Liabilities and Net Assets | <u>\$ 16,205,972</u> | <u>\$ 15,329,644</u> |

See accompanying notes to financial statements

The Queens Library Foundation, Inc.

Statements of Activities

For the year ended June 30, 2014 (with summarized information for the year ended June 30, 2013)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2014 | Total 2013 |
|---|-------------------|---------------------------|---------------------------|----------------------|----------------------|
| Revenues, Gains and Other Support | | | | | |
| Contributions from individuals, corporations, and foundations, including unconditional promises to give | \$ 194,052 | \$ 1,560,746 | \$ 638,972 | \$ 2,393,770 | \$ 3,686,420 |
| Net gains on Investments | - | 1,159,144 | 77,833 | 1,236,977 | 488,302 |
| Interest and Dividend Income | 1,074 | 226,127 | 14,618 | 241,819 | 259,359 |
| In-kind Contributed Wages and Fringe Benefits | 949,384 | - | - | 949,384 | 750,498 |
| Net Assets Released from Restrictions | <u>2,695,800</u> | <u>(2,695,800)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Revenues, Gains, and Other Support | <u>3,840,310</u> | <u>250,217</u> | <u>731,423</u> | <u>4,821,950</u> | <u>5,184,579</u> |
| Expenses | | | | | |
| Library Program Services | | | | | |
| Wages and Fringe Benefits | 825,277 | - | - | 825,277 | 973,394 |
| Books and Other Library Materials | 741,028 | - | - | 741,028 | 1,924,782 |
| Programs (contracted program services and exhibits) | 290,575 | - | - | 290,575 | 184,407 |
| Information Technology | 145,731 | - | - | 145,731 | 22,756 |
| Contractual and Services | 136,947 | - | - | 136,947 | 68,826 |
| Supplies, Equipment and Furniture | 118,039 | - | - | 118,039 | 160,973 |
| Other | <u>172,520</u> | <u>-</u> | <u>-</u> | <u>172,520</u> | <u>170,427</u> |
| Total Library Program Services | <u>2,430,117</u> | <u>-</u> | <u>-</u> | <u>2,430,117</u> | <u>3,505,565</u> |
| Fund Raising and Development | | | | | |
| In-Kind Wages and Fringe Benefits | 948,560 | - | - | 948,560 | 750,498 |
| Contractual and Services | 209,225 | - | - | 209,225 | 254,875 |
| Supplies, Equipment and Furniture | 19,923 | - | - | 19,923 | 29,714 |
| Other | <u>46,063</u> | <u>-</u> | <u>-</u> | <u>46,063</u> | <u>28,327</u> |
| Total Fund Raising and Development | <u>1,223,771</u> | <u>-</u> | <u>-</u> | <u>1,223,771</u> | <u>1,063,414</u> |
| Management and General | | | | | |
| Contractual and Services | 153,959 | - | 1,142 | 155,101 | - |
| Other | <u>5,788</u> | <u>-</u> | <u>-</u> | <u>5,788</u> | <u>56,139</u> |
| Total Management and General | <u>159,747</u> | <u>-</u> | <u>1,142</u> | <u>160,889</u> | <u>56,139</u> |
| Total Expenses | <u>3,813,635</u> | <u>-</u> | <u>1,142</u> | <u>3,814,777</u> | <u>4,625,118</u> |
| Change in Net Assets | 26,675 | 250,217 | 730,281 | 1,007,173 | 559,461 |
| Net Assets at Beginning of Year | <u>652,285</u> | <u>7,309,900</u> | <u>7,098,409</u> | <u>15,060,594</u> | <u>14,501,133</u> |
| Net Assets at End of Year | <u>\$ 678,960</u> | <u>\$ 7,560,117</u> | <u>\$ 7,828,690</u> | <u>\$ 16,067,767</u> | <u>\$ 15,060,594</u> |

See accompanying notes to financial statements

The Queens Library Foundation, Inc.

Statements of Cash Flows

For the years ended June 30, 2014 and 2013

| | 2014 | 2013 |
|---|--------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Change In Net Assets | \$ 1,007,173 | \$ 559,461 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Gain on investments | (1,236,977) | (488,302) |
| Depreciation Expense | 151,215 | 103,221 |
| Decrease in receivables from individuals, corporations and foundations including unconditional promises to give | 301,084 | 900,587 |
| Decrease in contributions discount | - | (147,520) |
| Decrease (increase) in prepaid expenses | 37,170 | (37,170) |
| Decrease in accounts payable | (126,758) | (8,541) |
| Increase (decrease) in accrued payroll and related expenses | (4,087) | 6,747 |
| Total Adjustments | <u>(878,353)</u> | <u>329,022</u> |
| Net Cash Provided By Operating Activities | <u>128,820</u> | <u>888,483</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property and equipment | (273,710) | (138,854) |
| Purchases of investments, net | <u>(1,311,122)</u> | <u>(1,100,595)</u> |
| Net Cash Used by Investing Activities | <u>(1,584,832)</u> | <u>(1,239,449)</u> |
| Cash Flows From Financing Activities | | |
| Change in due to/from the Queens Borough Public Library | <u>358,983</u> | <u>(1,250,729)</u> |
| Net Cash Provided (Used) by Investing Activities | <u>358,983</u> | <u>(1,250,729)</u> |
| Net Decrease in Cash and Cash Equivalents | (1,097,029) | (1,601,695) |
| Cash and Cash Equivalents at Beginning of Year | <u>1,494,850</u> | <u>3,096,545</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 397,821</u> | <u>\$ 1,494,850</u> |

See accompanying notes to financial statements

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

1. Organization

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

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when an obligation is incurred, regardless of when the related cash transaction takes place.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The net assets of the Foundation and the changes therein are classified as follows:

Unrestricted - Unrestricted net assets represent those resources that are not subject to donor-imposed restrictions.

Temporarily restricted - Temporarily restricted net assets represent those resources that have been restricted by donors or grantors for specific purposes and the unappropriated appreciation on donor-restricted endowment funds that are subject to the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Net assets released from restrictions represent the passage of time, satisfaction of the restricted purposes, and/or explicit appropriation action by the members of the Board of Directors.

THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

2. Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

Permanently restricted - Permanently restricted net assets represent those resources that have been designated by the donor or grantor to be held and invested in perpetuity. Generally, the donors of these assets direct the Foundation to use all or part of the income earned on related investments. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriations by the Board of Directors.

Applicability of NYPMIFA

The terms of NYPMIFA are applicable to the Foundation. NYPMIFA addresses the management and investment of a not-for-profit entity's investments, and the appropriations by the governing board of the earnings derived from the donor-restricted endowment funds. NYPMIFA requires all of the financial resources of the Foundation to be used in a "prudent" fashion, with the express approval and action of the governing board.

Property and Equipment

Property and equipment are stated at cost. Major expenditures for property and equipment and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated amortization are removed from the accounts and resulting gains and losses are included in income. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Contributions

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 or Board of Directors restrictions. Contributions restricted by the donor are recorded as increases in unrestricted net assets if the restriction expired in the fiscal year in which the contribution is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to Give

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

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

2. Summary of Significant Accounting Policies, Continued

Promises to Give, Continued

The Foundation uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, available for current use, with an initial maturity of three months or less when purchased, to be cash equivalents.

Concentrations of Credit Risk arising from investments in cash and cash equivalents and marketable securities in excess of insured limits

Financial instruments that potentially subject the Foundation to a concentration of credit risk are cash and cash equivalents and marketable securities. The Foundation maintains cash balances at several banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2014 and 2013, the Foundation's uninsured balances were approximately \$148,000 and \$1.2 million, respectively. Certain investments in marketable securities and money market accounts with the Foundation's broker dealers are insured up to \$500,000 by Securities Investor Protection Corporation ("SIPC") insurance. At June 30, 2014 and 2013, investments in marketable securities and money market accounts exceeded SIPC insurance limits by approximately \$12.8 million and \$10.2 million, respectively. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Investments

The Foundation records its investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. The objective of fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the change in unrestricted net assets in the accompanying Statement of Activities unless their use is restricted by the donor.

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Income taxes have not been provided for, as the Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Foundation files Form 990, Return of Organization Exempt from Income Tax and New York State return (CHAR 500). Returns for years ending after June 30, 2011 are subject to examination by regulatory authorities.

Donated Services

During the years ended June 30, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with fundraising and administrative services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

In-Kind Contributed Wages and Fringe Benefits Support and Fundraising and Development Expenses

Wages and fringe benefits of certain employees of the Library that spent substantially all of their time on matters relating to the Foundation have been recorded as In-kind Revenues from Contributed Wages and Fringe Benefits and In-kind Fundraising and Development Expenses as these amounts are not due to be repaid to the Library.

Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available for issuance.

Reclassifications

Reclassifications have been made to certain 2013 balances in order to conform them to the 2014 presentation.

3. Receivables from Individuals, Corporations and Foundations, Including Unconditional Promises to Give

Contributions, including unconditional promises to, give generally consist of pledges from donors that will be received over a period specified period (more than one year).

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

3. Receivables from Individuals, Corporations and Foundations, Including Unconditional Promises to Give, Continued

Contributions receivable consist of the following:

| | <u>2014</u> | <u>2013</u> |
|----------------------------|---------------------|---------------------|
| Amounts due in: | | |
| Less than one year | \$ 681,444 | \$ 650,000 |
| One to five years | <u>1,500,000</u> | <u>2,000,000</u> |
| | 2,181,444 | 2,650,000 |
| Less unamortized discount | <u>(847,754)</u> | <u>(1,015,226)</u> |
| Net contributions received | \$ <u>1,333,690</u> | \$ <u>1,634,774</u> |

Contributions receivable are reflected at the present value, which approximates fair value, of estimated future cash flows using an annual discount rate of 6% for balances due after one year from the balance sheet date.

At June 30, 2014 and 2013, one contributor accounted for approximately 92% and one accounted for 94%, respectively, of contributions receivable.

An allowance for uncollectible contributions receivable has not been provided as management considers all amounts to be collectible.

4. Investments

Investments are stated at fair value and consist primarily of equity and fixed income securities. Investments as of June 30, 2014 and 2013 are summarized as follows:

| <u>2014</u> | | | <u>2013</u> | | |
|----------------------|----------------------|--------------------------------|---------------------|----------------------|--------------------------------|
| <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Appreciation</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Appreciation</u> |
| \$ <u>12,028,638</u> | \$ <u>13,266,403</u> | \$ <u>1,237,765</u> | \$ <u>9,610,518</u> | \$ <u>10,718,304</u> | \$ <u>1,107,786</u> |

The fair value of the equities and fixed income securities are determined based on quoted market prices.

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

4. Investments, Continued

Fair Value Measurements

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted market prices for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. No Level 2 inputs were used by the Foundation.

The following are the fair values of investments:

| | Fair Value | | |
|----------------------------|----------------------|---------------------|----------------|
| <u>June 30, 2014</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Government obligations | \$ 907,989 | \$ - | \$ - |
| Preferred and common stock | 6,508,616 | - | - |
| Money market accounts | 1,521,522 | - | - |
| Derivatives | 1,133,072 | - | - |
| Corporate bonds | <u>-</u> | <u>3,195,204</u> | <u>-</u> |
| Total assets at fair value | \$ <u>10,071,199</u> | \$ <u>3,195,204</u> | \$ <u>-</u> |
| | | Fair Value | |
| <u>June 30, 2013</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Government obligations | \$ 764,101 | \$ - | \$ - |
| Preferred and common stock | 5,647,457 | - | - |
| Mutual funds | 448,841 | - | - |
| Corporate bonds | <u>-</u> | <u>3,857,905</u> | <u>-</u> |
| Total assets at fair value | \$ <u>6,860,399</u> | \$ <u>3,857,905</u> | \$ <u>-</u> |

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

5. Property and Equipment

Major classes of software consist of the following:

| | Estimated useful life - years | 2014 | 2013 |
|-------------------------------|----------------------------------|-------------------|-------------------|
| Computer software | 3 | \$ 508,556 | \$ 367,930 |
| Building improvements | 7 - 39 | 150,399 | 52,647 |
| Furniture | 7 | 35,332 | - |
| Less accumulated depreciation | | (380,088) | (228,873) |
| | | <u>\$ 314,199</u> | <u>\$ 191,704</u> |

Depreciation expense was \$151,215 and \$103,221 in 2014 and 2013, respectively.

6. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for support of specific programs and operating purposes. Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2014:

| | Beginning Balance | Additions | Releases | Ending Balance |
|--|----------------------|---------------------|---------------------|---------------------|
| Futures Fund for Children | | | | |
| Services | \$ 3,244,652 | \$ 764,856 | \$ 95,755 | \$ 3,913,753 |
| Library Renovations | 285,167 | - | 55,218 | 229,949 |
| BOOST Program | 187,267 | 126,524 | 169,243 | 144,548 |
| Children's Summer Reading Club | 34,061 | 59,297 | 54,411 | 38,947 |
| Literacy Programs | 491,595 | 360,632 | 560,455 | 291,772 |
| New Americans Services | 121,728 | 58,307 | 126,926 | 53,109 |
| Teen Mentor Program | 259,270 | 219,103 | 269,141 | 209,232 |
| Buy-A-Book | 220,326 | 241,409 | 215,779 | 245,956 |
| Library Materials | 1,779,519 | 766,098 | 459,115 | 2,086,502 |
| Children's Library Discovery Center | 104,653 | 23,024 | 80,317 | 47,360 |
| Technology | 239,669 | 118,987 | 249,735 | 108,921 |
| Branch Maintenance | 109,878 | 91,498 | 92,282 | 109,094 |
| Other | <u>232,115</u> | <u>116,282</u> | <u>267,423</u> | <u>80,974</u> |
| Total | <u>\$ 7,309,900</u> | <u>\$ 2,946,017</u> | <u>\$ 2,695,800</u> | <u>\$ 7,560,117</u> |

THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

6. Restrictions on Net Assets, Continued

Permanently Restricted Net Assets

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

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

The Foundation has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as 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 Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with NYPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

6. Restrictions on Net Assets, Continued

Permanently Restricted Net Assets, Continued

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

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

The balance in the endowments which are all classified as permanently restricted on the statement of financial position at June 30, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Starr Endowment - income generated from endowment investments for programs and services for the International Resource Center at the Flushing Branch Library | \$ 700,000 | \$ 700,000 |
| Applebaum Endowment - income generated from endowment investments for Mail-A-Book program; Latchkey program and adult reference books for Central Library and the Pomonok Branch Library | 240,000 | 217,000 |
| Elmezzi Foundation Endowment - income generated from endowment investments 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 (CPI) for each year through 2017 | 5,152,246 | 4,984,775 |
| NEH Endowment - income generated from endowment investments - 50% for adult humanities programs and 50% reinvested in endowment | 548,873 | 514,360 |

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

6. Restrictions on Net Assets, Continued

Permanently Restricted Net Assets, Continued

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| Altman Endowment - income generated from endowment investments to be used for the Futures Fund | \$ 676,203 | 636,066 |
| The Hebrew Technical Institute - Income generated from endowment investments to support programs that support high school and college students in computer skills. | 458,518 | - |
| Forever Fausta - Language and Learning Endowment for the Hunters Point Library. | <u>52,850</u> | <u>46,208</u> |
| | <u>\$ 7,828,690</u> | <u>\$ 7,098,409</u> |

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Endowment Net Assets</u> |
|---|-------------------------------|-------------------------------|-----------------------------------|
| Endowment net assets, beginning of year | \$ 807,752 | \$ 7,098,409 | \$ 7,906,161 |
| Contributions | - | 638,971 | 638,971 |
| Investment income | 307,025 | 92,452 | 399,477 |
| Amounts appropriated for expenditure | <u>(137,543)</u> | <u>(1,142)</u> | <u>(138,685)</u> |
| Endowment net assets, end of year | <u>\$ 977,234</u> | <u>\$ 7,828,690</u> | <u>\$ 8,805,924</u> |

Changes in endowment net assets as of June 30, 2013 are as follows:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Endowment Net Assets</u> |
|---|-------------------------------|-------------------------------|-----------------------------------|
| Endowment net assets, beginning of year | \$ 721,935 | \$ 6,886,455 | \$ 7,608,390 |
| Contributions | - | 170,926 | 170,926 |
| Investment income | 158,503 | 41,215 | 199,718 |
| Amounts appropriated for expenditure | <u>(72,686)</u> | <u>(187)</u> | <u>(72,873)</u> |
| Endowment net assets, end of year | <u>\$ 807,752</u> | <u>\$ 7,098,409</u> | <u>\$ 7,906,161</u> |

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

7. Related Party Transactions

Contribution Revenue

In April 2005, the Board of Trustees of the Library adopted a revised resolution stating that all unrestricted bequests received by the Queens Borough Public Library of \$250,000 or less would be transferred to the Foundation's Futures Fund. The transfers of unrestricted bequests in excess of \$250,000 are subject to Board approval. Such transfers are to continue until the net assets of the Futures Fund reach \$5,000,000. In 2014 and 2013 no bequests were received to be transferred.

Due from the Queens Borough Public Library

During the normal course of business, the Library and the Foundation incur expenses on behalf of each other. At June 30, 2014 and 2013, the Library owed the Foundation \$893,767 and \$1,252,750 respectively for unreimbursed net expenses.

In-kind Contributed Wages and Fringe Benefits Support and Fundraising and Development Expenses

The total amount of the Development Department's wage and fringe benefit costs at June 30, 2014 and 2013 were \$948,560 and \$750,498 respectively. These wages and fringe benefits were paid by the Library and recorded as In-kind Contributed Support as well as Fund Raising and Development Expenses as these amounts are not to be repaid to the Library.

Other Expenses

The following donations have been included in other expenses of the Foundation:

During the fiscal year ended June 30, 2014 an investment gain of \$34,513 representing 50% of the investment gains on the NEH Endowment was transferred to the Queens Borough Public Library for spending on programs. During the fiscal year ended June 30, 2013, the Foundation transferred an investment gain on the NEH Endowment of \$18,620 to the Queens Borough Public Library.

8. Functional Allocation of Expenses

The costs of providing library services and fundraising and development have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.