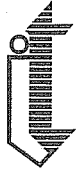


THE QUEENS LIBRARY FOUNDATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5-13



Israeloff, Trattner & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS · FINANCIAL CONSULTANTS

1225 Franklin Avenue, Garden City, NY 11530 (516) 240-3300 Fax (516) 240-3310 www.israeloff.com

Other Office
New York, NY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Queens Library Foundation, Inc. (a not-for-profit organization) (the "Foundation") as of June 30, 2012 and 2011, and the related statements of cash flows for the years then ended, and the statement of activities for the year ended June 30, 2012. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative statement of activities has been derived from the Foundation's 2011 financial statements, and in our report dated November 2, 2011, we expressed an unqualified opinion on those statements.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and its cash flows for the years then ended, and the changes in its net assets for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

Israeloff, Trattner & Co. P.C.

Garden City, New York
November 1, 2012

THE QUEENS LIBRARY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,096,545	\$ 2,422,290
Receivables from individuals, corporations, and foundations, including unconditional promises to give	2,387,841	2,305,944
Total Current Assets	5,484,386	4,728,234
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation of \$125,652 and \$37,874 respectively	156,071	236,627
OTHER ASSETS		
Prepaid Expenses	92	92
Long Term Investments	9,129,407	8,545,345
Due From the Queens Borough Public Library	2,021	286,029
Total Other Assets	9,131,520	8,831,466
TOTAL ASSETS	\$ 14,771,977	\$ 13,796,327
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 254,910	\$ 203,157
Accrued Payroll and Related Expenses	15,934	24,620
Total Liabilities	270,844	227,777
NET ASSETS		
Unrestricted	653,654	878,037
Temporarily Restricted	6,961,024	5,975,063
Permanently Restricted	6,886,455	6,715,450
Total Net Assets	14,501,133	13,568,550
TOTAL LIABILITIES AND NET ASSETS	\$ 14,771,977	\$ 13,796,327

See accompanying notes to financial statements

THE QUEENS LIBRARY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions from individuals, corporations, and foundations, including unconditional promises to give	\$ 186,859	\$ 3,352,288	\$ 168,546	\$ 3,707,693	\$ 2,519,334
Net gains(loss) on Investments	-	(131,045)	(11,422)	(142,467)	1,085,391
Interest and Dividend Income	4,403	216,716	13,881	235,000	183,718
In-kind Contributed Wages and Fringe Benefits	634,836	-	-	634,836	682,058
Net Assets Released from Restrictions	2,451,998	(2,451,998)	-	-	-
Total Revenues, Gains, and Other Support	<u>3,278,096</u>	<u>985,961</u>	<u>171,005</u>	<u>4,435,062</u>	<u>4,470,501</u>
EXPENSES					
Library Program Services					
Wages and Fringe Benefits	864,291	-	-	864,291	697,529
Books and Other Library Materials	1,095,194	-	-	1,095,194	449,667
Programs (contracted program services and exhibits)	158,796	-	-	158,796	271,763
Information Technology	110,072	-	-	110,072	61,826
Contractual and Services	68,266	-	-	68,266	81,121
Supplies, Equipment and Furniture	111,886	-	-	111,886	70,712
Other	134,793	-	-	134,793	36,874
Total Library Services	<u>2,543,298</u>	<u>-</u>	<u>-</u>	<u>2,543,298</u>	<u>1,669,492</u>
Fund Raising and Development					
In-Kind Wages and Fringe Benefits	635,453	-	-	635,453	683,045
Contractual and Services	217,874	-	-	217,874	234,744
Supplies, Equipment and Furniture	8,877	-	-	8,877	21,853
Other	25,790	-	-	25,790	58,089
Total Fund Raising and Development	<u>887,994</u>	<u>-</u>	<u>-</u>	<u>887,994</u>	<u>997,731</u>
Management and General					
Other	71,187	-	-	71,187	12,202
Total Management and General	<u>71,187</u>	<u>-</u>	<u>-</u>	<u>71,187</u>	<u>12,202</u>
Total Expenses	<u>3,502,479</u>	<u>-</u>	<u>-</u>	<u>3,502,479</u>	<u>2,679,425</u>
Change in Net Assets	(224,383)	985,961	171,005	932,583	1,791,076
Net Assets at Beginning of Year	878,037	5,975,063	6,715,450	13,568,550	11,777,474
Net Assets at End of Year	<u>\$ 653,654</u>	<u>\$ 6,961,024</u>	<u>\$ 6,886,455</u>	<u>\$ 14,501,133</u>	<u>\$ 13,568,550</u>

See accompanying notes to financial statements

THE QUEENS LIBRARY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change In Net Assets	\$ 932,583	\$ 1,791,076
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loss on investments	142,467	(1,085,391)
Depreciation Expense	87,779	26,365
Changes in operating assets and liabilities:		
(Increase) decrease in contributions receivable	(81,897)	459,065
Decrease in prepaid expenses	-	3,000
Increase in accounts payable	51,753	92,004
Increase (decrease) in accrued payroll and related expenses	(8,686)	3,090
Total Adjustments	191,416	(501,867)
Net Cash Provided By Operating Activities	1,123,999	1,289,209
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,223)	(262,796)
Sale proceeds of investments	1,097,476	1,150,198
Purchase of investments	(1,824,005)	(3,569,954)
Net Cash Used by Investing Activities	(733,752)	(2,682,552)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in due to/from the Queens Borough Public Library	284,008	(106,673)
Net Cash Provided (Used) by Investing Activities	284,008	(106,673)
Net (Decrease) Increase in Cash and Cash Equivalents	674,255	(1,500,016)
Cash and Cash Equivalents at Beginning of Year	2,422,290	3,922,306
Cash and Cash Equivalents at End of Year	\$ 3,096,545	\$ 2,422,290

See accompanying notes to financial statements

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

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. 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 recognized when earned and expenses are recorded when an obligation has been 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.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Major expenditures for property 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 depreciations 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.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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, 2012 AND 2011

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 generally accepted accounting principles 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.

Comparative Financial Information

The statement of activities includes 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 conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments, with an initial maturity of three months or less when purchased, to be cash equivalents.

Financial Instruments

The Foundation's financial instruments include cash, receivables and payables for which carrying values approximate fair values due to the short maturities of those instruments and investments in marketable securities (see Notes 4 and 5).

Concentrations of Credit Risk arising from cash deposits in excess of insured limits.

The Foundation maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2012 the Foundation's uninsured balances were approximately \$2.9 million.

Repurchase Agreements

Included in cash and cash equivalents are repurchase agreements which are collateralized by mortgage-backed securities held under custodial agreements with financial institutions.

THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies(Continued)

Investments

The Foundation records its investments in marketable securities with readily determinable fair values and all debt securities at fair values in the Statement of Financial Position. 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 investments are not secured, collateralized, or insured. Therefore, the Foundation is subject to a high concentration of market risk.

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 federal and New York State returns. Returns for years ending after June 30, 2009 are subject to examination by regulatory authorities.

Donated Services

During the years ended June 30, 2012 and 2011, 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 were 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 Contributed Support 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 November 1, 2012, the date the financial statements were available for issuance.

Recent Accounting Guidance Not Yet Adopted

During 2011 and 2012, the Financial Accounting Standards Board, (FASB) issued authoritative guidance on revenue recognition, consolidation of variable interest entities, fair value disclosure for financial assets and liabilities, presentation of comprehensive income, testing goodwill and indefinite lived intangible assets for impairment, disclosures about offsetting assets and liabilities, reconsideration of effective control for repurchase agreements, and compensation-retirement benefits multiemployer plans. Management believes that these pronouncements will not be applicable to its financial statements or, if applicable, will not have a material impact on the Foundation's financial statements upon adoption.

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

3. Contributions Receivable

Contributions receivable consist of the following:

	2012	2011
Amounts due in:		
Less than one year	\$ 1,050,585	\$ 597,600
One to five years	2,500,000	2,522,500
More than five years	-	500,000
	3,550,585	3,620,100
Less: Unamortized discount	(1,162,744)	(1,314,156)
Net contributions received	\$ 2,387,841	\$ 2,305,944

Contributions receivable are reflected at the present 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, 2012 and 2011, one contributor accounted for approximately 84% and one accounted for 98%, respectively, of contributions receivable.

An allowance for uncollectible contributions receivable has not been provided as amounts are not considered material.

4. Investments

Investments are stated at fair value and consist primarily of equity and fixed income securities. Investments as of June 30, 2012 and 2011 are summarized as follows:

	2012			2011		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Restricted Equities and Fixed income	\$ <u>8,396,029</u>	\$ <u>9,129,407</u>	\$ <u>733,378</u>	\$ <u>7,961,986</u>	\$ <u>8,545,345</u>	\$ <u>583,359</u>

5. 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 consist 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 or 3 inputs were used by the Foundation.

THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

5. Fair Value Measurements (Continued)

The following are the fair values of common stocks, mutual funds, government and corporate bonds and cash and cash equivalents which were all based on quoted market values and other relevant information in active markets. (Level 1)

	<u>Fair Value</u>
<u>June 30, 2012</u>	
Cash and short term	\$ 3,096,545
Investments	
Common stock, mutual funds, government bonds, Corporate bonds	<u>9,129,407</u>
Total assets at fair value	\$ <u><u>12,225,952</u></u>
<u>June 30, 2011</u>	
Cash and short term	
Investments	\$ 2,422,290
Common stock, mutual funds, government bonds Corporate bonds	<u>8,545,345</u>
Total assets at fair value	\$ <u><u>10,967,635</u></u>

6. Property and Equipment

Major classes of property and equipment consist of the following :

	Estimated useful Life – years	<u>2012</u>	<u>2011</u>
Computer software	3	\$ 281,723	\$ 274,501
Less: Accumulated amortization		<u>125,652</u>	<u>37,874</u>
Net property and equipment		\$ <u><u>156,071</u></u>	\$ <u><u>236,627</u></u>

Amortization expense was \$87,779 and \$26,365 in 2012 and 2011, respectively.

THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

7. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for support of specific programs and operating purposes. At June 30, 2012 and 2011 temporarily restricted net assets are available for the following:

<u>Program</u>	<u>2012</u>	<u>2011</u>
Futures Fund for Children Services	\$2,762,608	\$2,566,287
Library Renovations	98,139	240,721
BOOST Program	290,904	201,352
Children's Summer Reading Club	46,131	39,644
Literacy Programs	341,253	581,126
New Americans Services	409,389	68,567
International Resource Center	1,095,958	1,132,700
Teen Mentor Program	149,428	76,288
Buy-A-Book	253,610	171,825
Library Materials	1,025,890	497,738
Children's Library Discovery Center	156,770	292,686
Technology	118,029	26,859
Other	212,915	79,270
Total	<u>\$6,961,024</u>	<u>\$5,975,063</u>

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 ("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 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 Foundation act

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

7. Restrictions on Net Assets (Continued)

“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 balances in the endowments at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</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	197,000	197,000
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	4,837,255	4,710,884
NEH Endowment – income generated from endowment investments – 50% for adult humanities programs and 50% reinvested in endowment	493,508	492,088
Altman Endowment – income generated from endowment investments to be used for the Futures Fund	617,292	615,478
Forever Fausta – Language and Learning Endowment For the Hunters Point Library.	<u>41,400</u>	<u>-</u>
	<u>\$ 6,886,455</u>	<u>\$ 6,715,450</u>

**THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors. During the years ended June 30, 2012 and 2011 purpose restrictions were accomplished as follows:

<u>Program</u>	<u>2012</u>	<u>2011</u>
BOOST Program	\$ 300,354	\$ 141,371
Summer Reading club	34,774	14,663
Youth Enrichment	117,166	98,143
Literacy Programs	281,313	349,512
International Resource Center	48,393	38,573
Teen Mentor Program	123,157	178,150
Branch Renovations	35,947	150,337
New Americans' Services	68,535	77,079
Library Materials/BAB	1,053,516	400,389
Children's Library Discover Center	143,421	41,460
Other	<u>245,422</u>	<u>234,393</u>
Total	<u>\$ 2,451,998</u>	<u>\$ 1,724,070</u>

8. 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 2012 and 2011 approximately \$1,400 and \$0 was transferred, respectively.

Due to/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, 2012 and 2011, the Library owed the Foundation \$2,021 and \$286,029, respectively, for unreimbursed 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, 2012 and 2011 were \$634,836 and \$682,058, 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, 2012 an investment gain of \$1,455 representing 50% of the investment gains on the NEH Endowment was transferred to the Queens Borough Public Library for spending on programs. In 2011, the Foundation transferred an investment gain on the NEH Endowment of \$37,659 to the Queens Borough Public Library.

THE QUEENS LIBRARY FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

9. Functional Allocation of Expenses

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