KPMG

THE NEW YORK PUBLIC LIBRARY, ASTOR, LENOX AND TILDEN FOUNDATIONS

Financial Statements

June 30, 2019

(With Independent Auditors' Report and Report on Internal Control and Compliance Thereon)

**THE NEW YORK PUBLIC LIBRARY, ASTOR,
LENOX AND TILDEN FOUNDATIONS**

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The New York Public Library,
Astor, Lenox and Tilden Foundations:

Report on the Financial Statements

We have audited the accompanying financial statements of The New York Public Library, Astor, Lenox and Tilden Foundations (the Library), which comprise the balance sheet as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 organization'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 organization'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 New York Public Library, Astor, Lenox and Tilden Foundations as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2(u) to the financial statements, in 2019 the Library adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The New York Public Library, Astor, Lenox and Tilden Foundations' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustments to adopt ASU 2016-14. As part of our audit of the 2019 financial statements, we also audited the adjustments described in note 2(u) that were applied to adopt ASU No. 2016-14 retrospectively in the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

KPMG LLP

November 6, 2019

THE NEW YORK PUBLIC LIBRARY, ASTOR,
LENOX AND TILDEN FOUNDATIONS

Balance Sheet

June 30, 2019
(With summarized comparative financial information as of June 30, 2018)

(In thousands of dollars)

Assets		**2019**	**2018**
Cash and cash equivalents	$	115,263	134,790
Government and other receivables (notes 4 and 12)		153,632	95,337
Contributions receivable, net (note 5)		47,881	60,043
Other assets		8,475	7,290
Funds held by others (note 6)		4,151	4,195
Investments (notes 3 and 7)		1,300,403	1,312,477
Fixed assets, net (note 9)		493,127	420,322
Collections (note 2(n))			
Total assets	$	2,122,932	2,034,454
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (notes 10 and 15)	$	97,719	88,652
Deferred revenue (notes 5 and 12)		42,796	31,274
Notes payable, net (note 12)		7,163	7,099
Financing obligation (note 9)		102,364	97,808
Bonds payable, net (note 13)		183,764	183,717
Accrued postretirement benefits (note 11)		92,582	81,061
Total liabilities		526,388	489,611
Commitments and contingencies (notes 7, 10, 11, 12, and 15)			
Net assets (notes 8 and 14):			
Net assets without donor restrictions		629,883	648,927
Net assets with donor restrictions		966,661	895,916
Total net assets		1,596,544	1,544,843
Total liabilities and net assets	$	2,122,932	2,034,454

See accompanying notes to financial statements.

THE NEW YORK PUBLIC LIBRARY, ASTOR,
LENOX AND TILDEN FOUNDATIONS

Statement of Activities

Year ended June 30, 2019
(With summarized comparative financial information for the year ended June 30, 2018)

(In thousands of dollars)

		Without donor restrictions	With donor restrictions	2019 Total	2018 Total
Operating revenues:					
City of New York	$	181,934	—	181,934	175,356
State of New York		21,018	—	21,018	21,312
Federal government		716	—	716	1,344
Contributed utilities and rent		9,395	—	9,395	10,266
Private contributions and grants		29,064	12,654	41,718	47,388
Investment return appropriated for spending (note 7)		47,025	7,974	54,999	51,884
Fines, royalties, and other revenue		15,517	143	15,660	14,740
		304,669	20,771	325,440	322,290
Net assets released from restrictions		20,654	(20,654)	—	—
Total operating revenues		325,323	117	325,440	322,290
Operating expenses (note 16):					
Branch library services		174,603	—	174,603	183,163
Research library services and library-wide programs		87,670	—	87,670	83,069
Total program services		262,273	—	262,273	266,232
Fundraising and membership development		10,895	—	10,895	10,637
Management and general		25,372	—	25,372	26,258
Total operating expenses		298,540	—	298,540	303,127
Additions to research collections		14,302	—	14,302	12,134
Total operating expenses and additions to research collections		312,842	—	312,842	315,261
Change in net assets from operating activities		12,481	117	12,598	7,029
Nonoperating activities:					
Endowment contributions and funds designated for long-term investment, net		4,882	2,718	7,600	17,480
Net assets released from restrictions for capital and contributions receivable collected		3,014	(3,014)	—	—
Appropriations and contributions for capital		1,421	80,083	81,504	27,664
Depreciation (note 16)		(22,401)	—	(22,401)	(22,189)
Investment return, net of amounts appropriated (note 7)		(6,364)	(9,159)	(15,523)	60,758
Changes in postretirement benefits obligation other than net periodic benefit cost (note 11)		(11,085)	—	(11,085)	7,024
Net periodic benefit cost other than service cost (note 11)		(992)	—	(992)	(1,761)
Change in net assets from nonoperating activities		(31,525)	70,628	39,103	88,976
Change in net assets		(19,044)	70,745	51,701	96,005
Net assets at beginning of year		648,927	895,916	1,544,843	1,448,838
Net assets at end of year	$	629,883	966,661	1,596,544	1,544,843

See accompanying notes to financial statements.

THE NEW YORK PUBLIC LIBRARY, ASTOR,
LENOX AND TILDEN FOUNDATIONS

Statement of Cash Flows

Year ended June 30, 2019
(With summarized comparative financial information for the year ended June 30, 2018)

(In thousands of dollars)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	51,701	96,005
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Net appreciation on investments		(36,203)	(96,123)
Depreciation and amortization		23,223	23,012
Amortization of deferred revenue		(422)	(422)
Imputed interest related to financing obligation		3,845	3,845
Deferred rent expense		238	342
Postretirement benefits changes other than net periodic benefit cost		11,085	(7,024)
Appropriations and contributions for capital		(81,504)	(27,664)
Endowment contributions		(2,362)	(10,387)
Investment income restricted in perpetuity, net of expenses		(1,856)	(2,855)
Changes in operating assets and liabilities:			
Receivables, except for contributions and other receivables restricted for investment in endowment and capital projects		10,331	1,202
Other assets		(1,185)	588
Accounts payable and accrued liabilities, except for accounts payable and accrued liabilities relating to fixed assets and deferred rent		(3,799)	(3,395)
Accrued postretirement benefits		436	1,452
Deferred revenue		13,377	21,853
Net cash (used in) provided by operating activities		(13,095)	429
Cash flows from investing activities:			
Purchases of investments		(468,663)	(453,375)
Proceeds from sales of investments		516,940	460,686
Purchases of fixed assets		(95,206)	(46,365)
Change in accounts payable and accrued liabilities relating to fixed assets		12,628	1,638
Net cash used in investing activities		(34,301)	(37,416)
Cash flows from financing activities:			
Change in contributions receivable restricted for investment in endowment		2,359	(4,787)
Change in contributions and other receivables restricted for capital projects		(58,823)	(22,146)
Change in deferred endowment revenue		—	5,000
Change in deferred revenue relating to capital projects		(1,433)	659
Appropriations and contributions for capital		81,504	27,664
Endowment contributions		2,362	10,387
Investment income restricted in perpetuity, net of expenses		1,856	2,855
Issuance of note payable		—	475
Change in funds held by others		44	775
Net cash provided by financing activities		27,869	20,882
Net decrease in cash and cash equivalents		(19,527)	(16,105)
Cash and cash equivalents at beginning of year		134,790	150,895
Cash and cash equivalents at end of year	$	115,263	134,790
Supplemental disclosures:			
Unrelated business income taxes paid	$	403	700
Interest paid		8,062	8,062
Imputed interest related to financing obligation		3,845	3,845

See accompanying notes to financial statements.

(1) The Organization

The New York Public Library, Astor, Lenox and Tilden Foundations (the Library) operates research and branch libraries in New York City under a restated charter from the Regents of the State University of New York. The Library is a private, not-for-profit educational corporation that provides certain free services to users of its facilities.

Although the Library is not a governmental institution, it receives significant support through governmental appropriations in addition to the support received from private sources. In accordance with a 1901 agreement with the City of New York (the City), funding for the 88 branch libraries operated by the Library in the boroughs of Manhattan, the Bronx, and Staten Island is provided primarily by the City and the State of New York (the State), and the continuing operations of the branches is dependent upon such support. The Library also operates, at four locations in the borough of Manhattan, research libraries that are partially funded by the City, the State, and the Federal government, and by private sources and investment income.

The Library is a not-for-profit corporation that has been recognized by the Internal Revenue Service as tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the Code), and as a public charity under Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code. The Library is generally exempt from Federal, State, and City income taxes except to the extent that it is subject to unrelated business income tax.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) Basis of Presentation

The Library's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Library and changes therein are classified and reported as follows:

Net assets without donor restrictions are not subject to donor-imposed stipulations. The Library's Board of Trustees has designated a portion of net assets without donor restrictions for long-term investment purpose (i.e., to function as endowment) and for capital and other purposes.

Net assets with donor restrictions, include the following*:*

Net assets with purpose or time restrictions are subject to donor-imposed stipulations that will be met either by the passage of time or by actions of the Library.

Net assets with perpetual restrictions are subject to donor-imposed restrictions that they be maintained permanently by the Library. Generally, the donors of these assets permit the Library to use all or part of the return on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Donor-restricted contributions received and investment return appropriated for spending by the Board of Trustees are reported in the without donor restrictions net asset class if they are expended in the accounting period in which they are received or appropriated.

(c) Measure of Operations

The Library includes in its definition of operations all revenues and expenses that are integral to its programs and supporting activities. Amounts other than operating revenues and expenses are recognized as nonoperating activities, including: endowment contributions, certain bequests without donor restrictions, other funds designated by the Library’s Board of Trustees for long-term investment, appropriations, contributions and net assets released from restrictions for capital, certain contributions receivable collected, contributed property for use, depreciation, investment return net of amounts appropriated for spending pursuant to the Library’s endowment spending policy (notes 7 and 8), postretirement benefit changes other than service cost, and other nonrecurring items.

(d) Government Grants and Appropriations

The Library receives grants and appropriations from a number of sources, including the City, the State, and from other public grantors. Grants and appropriations for library services, library-wide programs, and capital are generally considered conditional contributions, whereby revenue is recognized when qualifying expenses are incurred and other contractual restrictions are met. Grants and appropriations subject to donor-imposed restrictions that are met in the same reporting period are reported as revenue without donor restrictions. Grants and appropriations restricted to the acquisition of fixed assets are reported as donor-restricted revenue and released from restrictions when the fixed assets are placed in service.

Grants and appropriations received in advance of incurring qualifying expenses are reported as deferred revenue in the accompanying balance sheet.

(e) Private Contributions and Grants

Contributions, including unconditional promises to give (pledges), are recorded as revenue at fair value in the period received or pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor’s payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue. Conditional contributions are recognized as revenue when the barrier(s) in the agreement are overcome.

(Continued)

Contributions of cash or other assets restricted to the acquisition of fixed assets are reported as donor-restricted revenue. Donors' restrictions are considered met and the net assets are released from restrictions when the fixed assets are placed in service. Contributions subject to donor-imposed restrictions that the corpus be maintained in perpetuity (i.e., endowment contributions) are recognized as increases in donor-restricted net assets.

(f) Contributed Properties for Use

The Library occupies its landmark building and other properties under arrangements with the City and State in which the City and State retain legal title to the buildings. The properties are provided to the Library for its long-term use, free of charge, so long as the Library uses them as operating libraries. The Library records the fair value of such contributed properties for use as revenue and fixed assets at the time they are made available to the Library for its use.

The Library receives and recognizes capital appropriations from the City and State to fund construction and capital improvement projects directly managed by the Library (note 2(d)). In addition, certain capital improvements are managed and paid directly by the City (note 2(m)).

(g) Contributed Utilities and Rent

The City directly pays the cost of utilities (heat, light, and power) for properties occupied by the Library. The Library reports contributed utilities revenue for these transactions, offset by equal charges to the appropriate expense category. During the years ended June 30, 2019 and 2018, the Library recognized revenues and expenses each totaling $7,117 and $8,033, respectively, for contributed utilities. In addition, for the Library for the Performing Arts, the Library pays the cost of utilities directly as part of its general services expense and is partially reimbursed by the City (amounting to $765 for each of fiscal years 2019 and 2018).

In addition, the Library recognizes contributed rent for certain properties occupied under short-term lease arrangements for which payments are below the fair rental value. During the years ended June 30, 2019 and 2018, the Library recognized revenues and expenses, each totaling $2,278 and $2,233, respectively, for contributed rent.

(h) Fundraising and Membership Development

The Library's fundraising and membership development activities include working with program staff to develop statements of need for private fundraising, including operating support, endowment, and capital contributions; conducting outreach efforts to secure membership contributions and create awareness of the Library and its programs; and conducting special fundraising events. Revenues raised from special fundraising events are $5,298 and $4,352, respectively, for the years ended June 30, 2019 and 2018, and are included in private contributions and grants in the accompanying statement of activities. The costs for these events totaled approximately $1,304 and $1,274 for the same periods and are included in fundraising and membership development expenses in the accompanying statement of activities. Fundraising costs are expensed as incurred.

(Continued)

(i) Operating Leases

Rent expense for operating leases is recorded on a straight-line basis over the lease term. The lease term begins when the Library has the right to control the use of the leased property, which may occur before rent payments are due under the terms of the lease. If a lease has a fixed and determinable escalation clause and/or if the lease provides for free rent periods, the difference between the straight-line rent expense and rent paid is recorded as deferred rent obligation and is included in the accompanying balance sheet in accounts payable and accrued liabilities. Rent for operating leases where escalation is based on an inflation index and amount of escalation cannot be determined at the beginning of the lease term is expensed over the lease term as it is paid.

(j) Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset values (NAV) for investments in funds with characteristics similar to a mutual fund. The estimated fair value of certain commingled investment funds, hedge funds, and private market funds is reported at estimated fair value based on, as a practical expedient, NAV provided by investment managers. These values are reviewed and evaluated by Library management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses and changes in unrealized gains and losses in investments are included in investment return in the statement of activities.

(k) Cash and Cash Equivalents

The Library considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the Library’s long-term investment portfolio, to be cash equivalents. The majority of cash and cash equivalents are held with one financial institution.

(l) Split-Interest Agreements

The Library’s split-interest agreements consist primarily of charitable gift annuities, pooled income funds, and beneficial interest in perpetual trust.

Contribution revenue from charitable gift annuities is recognized at the date each agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. These liabilities are adjusted annually for changes in the value of the assets, accretion of the discount (2.8% and 3.4% at June 30, 2019 and 2018, respectively), and other changes in the estimates of future benefits. The related liabilities for beneficiary payments in the amount of $4,647 and $4,230, respectively, at June 30, 2019 and 2018 are included in accounts payable and accrued liabilities. Assets are invested and payments are made to the donor and/or beneficiaries, in accordance with the respective agreements. Assets related to charitable gift annuities amounted to $5,492 and $4,862, respectively, at June 30, 2019 and 2018, and are included in investments in the accompanying balance sheet.

(Continued)

In 2019 and 2018, there were no new contributions to the pooled income fund. Assets are invested and payments are made to the donor and/or beneficiaries, in accordance with the respective agreements. The assets related to the pooled income fund amounted to $716 and $700, respectively, at June 30, 2019 and 2018, and are included in investments in the accompanying balance sheet.

The Library is also the beneficiary of two separate perpetual trusts that are held and administered by a third party, and are included in other assets in the accompanying balance sheet in the amount of $1,770 and $1,763, respectively, at June 30, 2019 and 2018.

(m) Fixed Assets

Fixed assets include expenditures for the purchase of land, construction, and renovation of Library-owned buildings, renovation or build-out of leased property, and purchase of furniture and equipment. Fixed assets also include properties provided to the Library by the City and State, for its long-term use as libraries, and expenditures incurred by the Library to renovate those properties. It is the Library's policy to capitalize fixed asset costs in excess of $25.

Depreciation and amortization of buildings, building improvements, and furniture and equipment are recognized over the estimated useful lives, which range from 5 to 50 years, on a straight-line basis. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the improvement.

Amounts paid directly by the City from its capital budget for certain capital improvements made to properties occupied by the Library, which are typically managed directly by the City, are not recorded by the Library. During the years ended June 30, 2019 and 2018, such amounts were approximately $11,140 and $4,326, respectively.

(n) Collections

The Library has extensive research collections of library materials, including books, periodicals, and other items. These collections are maintained by the research libraries under curatorial care and are held for research, education, and public exhibition in furtherance of public service. Proceeds from the sales of collections are used to acquire other items for collections. The cost of collections purchased by the Library for the research libraries is charged to expense when incurred, and donated collection items are not recorded. The value of the Library's research collections cannot be determined.

The cost of books and other library materials purchased by the branch libraries is not recorded as collections, but is charged as a Library services expense in the year purchased because, largely by reason of their frequent use, such items are exhaustible over a short period of time.

(o) Volunteers

A number of volunteers, including the members of the Board of Trustees, have made significant contributions of time to the Library's policy-making, program, and support functions. The value of this contributed time does not meet criteria for recognition as contributed services and, accordingly, is not reflected in the accompanying financial statements.

(Continued)

(p) Related Party Transactions

Members of the Library's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Library. The Library has a written ethics and conflicts policy that requires, among other things, annual disclosure of interests or affiliations that could be construed as creating a conflict or the appearance of a conflict with the interests of the Library. The ethics and conflicts policy requires that no member of the Board of Trustees or senior management can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each trustee and member of senior management is required to certify compliance with the ethics and conflicts policy on an annual basis and indicate whether the Library does business with an entity in which he or she has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Library, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant as of and for the years ended June 30, 2019 and 2018.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the valuation of investments at fair value, net realizable value of receivables, fair value of properties provided by the City and State, postretirement benefit obligations and related costs, and functional allocation of expenses. Actual results could differ from those estimates.

(r) Accounting for Uncertainty in Income Taxes

The Library recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. As of June 30, 2019 and 2018, the Library does not have any uncertain tax positions or any unrelated business income tax liability that would have a material impact upon its financial statements.

(s) Presentation of Certain Prior Year Information

The financial statements include certain prior year summarized information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Library's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

(t) Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

(Continued)

(In thousands of dollars)

(u) New Authoritative Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Library adopted this ASU for the fiscal year ended June 30, 2019. This ASU requires the Library to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Library expects to be entitled in exchange for those goods or services. Management has determined that ASU No. 2014-09 did not have a significant impact on the financial statements.

The FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which, among other things, changes how not-for-profit entities report net asset classes, expenses, and liquidity in their financial statements. The Library adopted the main provisions of the ASU, including the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; and quantitative and qualitative information about the management of liquid resources and availability of financial assets to meet cash needs within one year of the date of the balance sheet. As a result of adopting this ASU, certain prior year amounts, including $88 and $2,018 as of June 30, 2018 and 2017, respectively, of underwater endowment funds were reclassified to conform to the presentation requirements.

A recap of the net asset reclassifications driven by the adoption of ASU No. 2016-14 as of June 30, 2018 follows:

	ASU No. 2016-14 classification		
	Without donor restrictions	**With donor restrictions**	**Total**
Net assets as of June 30, 2018, as previously presented:			
Unrestricted	$ 648,839	—	648,839
Temporarily restricted	—	432,943	432,943
Permanently restricted	—	463,061	463,061
Reclassification of underwater endowments to adopt ASU No. 2016-14	88	(88)	—
Net assets as reclassified as of June 30, 2018	$ 648,927	895,916	1,544,843

The FASB issued ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The ASU also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expense (resource provider). The Library adopted the provisions of ASU No. 2018-08 as of July 1, 2018.

FASB ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the statement of activities separately from the service cost component as a nonoperating expense. The Library adopted the provisions of this update in fiscal year 2019 and applied the provisions retrospectively to fiscal year 2018. As a result, the Library reclassed $1,761 of the other components of net benefit cost from operating expenses to other components of net periodic costs in nonoperating activities in the 2018 statement of activities.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance, effective for the Library's fiscal year ending June 30, 2020, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments on the balance sheet and disclose key information about leasing arrangements. Management is evaluating the effect that ASU No. 2016-02 will have on its financial statements.

(v) Subsequent Events

In conjunction with the preparation of the financial statements, the Library evaluated subsequent events from July 1, 2019 through November 6, 2019, the date on which the financial statements were issued, and has concluded that no further disclosures are required.

(3) Fair Value Measurements

Investments are reported at fair value on a recurring basis by the Library.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The inputs to fair value measurements are classified in the fair value hierarchy by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The Library prioritizes the inputs to valuation techniques used to measure fair value under the three levels of the fair value hierarchy, as follows:

Level 1 inputs are quoted prices or published NAV (unadjusted) in active markets for identical assets or liabilities that the Library has the ability to access at measurement date.

(In thousands of dollars)

Level 2 inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement falls, in its entirety, is based on the lowest level input that is significant to the fair value measurement.

The following tables present investments by strategy at fair value measured by fair value hierarchy or using the NAV per share practical expedient at June 30, 2019 and 2018:

	2019		
	Measured at NAV	**Level 1**	**Total**
Managed accounts:			
Short-term investments	$ —	266,099	266,099
Currency futures	—	(515)	(515)
Domestic common stocks	—	89,167	89,167
Corporate bonds	—	10,522	10,522
Commingled investment funds:			
Domestic equity funds	220,230	2,247	222,477
Global/international equity funds	416,826	1,721	418,547
Fixed-income funds	—	1,702	1,702
Hedge funds:			
Long/short equity funds	179	—	179
Multi-strategy funds	211,400	—	211,400
Private market funds:			
Venture capital	1,772	—	1,772
Private equity	61,069	—	61,069
Real estate	17,984	—	17,984
	$ 929,460	370,943	1,300,403

(In thousands of dollars)

	2018		
	Measured at NAV	Level 1	Total
Managed accounts:			
Short-term investments	$ —	246,020	246,020
Currency futures	—	259	259
Domestic common stocks	—	157,562	157,562
Corporate bonds	—	39,406	39,406
Government bonds	—	2,007	2,007
Commingled investment funds:			
Domestic equity funds	219,993	2,089	222,082
Global/international equity funds	348,146	1,570	349,716
Fixed-income funds	—	1,588	1,588
Hedge funds:			
Long/short equity funds	1,216	—	1,216
Multi-strategy funds	181,018	—	181,018
Private market funds:			
Venture capital	2,174	—	2,174
Private equity	71,803	—	71,803
Real estate	37,626	—	37,626
	$ 861,976	450,501	1,312,477

(4) Government and Other Receivables

At June 30, 2019 and 2018, government and other receivables consisted of the following:

	2019	2018
City of New York – construction	$ 125,261	63,151
City of New York – other	13,493	16,209
State of New York	7,274	6,732
Other (note 12)	7,604	9,245
Total	$ 153,632	95,337

Construction receivables consist of billed and unbilled amounts to be reimbursed by the City for construction projects.

(In thousands of dollars)

(5) Contributions Receivable

Contributions receivable at June 30, 2019 and 2018 are expected to be collected as follows:

		2019	2018
Amounts expected to be collected in:			
Less than one year	$	21,778	22,171
One to five years		21,636	31,678
More than five years		6,300	8,902
		49,714	62,751
Less discount to present value (at rates ranging from 1.2% to 5.0%)		(1,833)	(2,708)
	$	47,881	60,043

At June 30, 2019 and 2018, approximately 45% and 46%, respectively, of gross contributions receivable is due from two donors.

As of June 30, 2019 and 2018, the Library has received conditional contributions of $62,171 and $68,694, respectively, subject to measurable performance-related barriers or other conditions and right of return/release from obligation, that have not been recognized as revenue in the accompanying financial statements because the barrier(s) in the agreements have not been overcome. As of June 30, 2019 and 2018, the Library has received payments of $40,224 and $26,667, respectively, in advance of satisfying donor-imposed conditions that have been reported as deferred revenue.

(6) Funds Held by Others

At June 30, 2019 and 2018, funds held by others consist of cash held for debt service and cost of issuance under the Series 2015 bond agreement (note 13) and amounts advanced under the New Markets Tax Credit (NMTC) financing transaction (note 12) not yet drawn by the Library. Funds held by others at June 30, 2019 and 2018 were as follows:

		2019	2018
Debt service fund	$	3,982	3,982
Cost of issuance fund		22	22
New markets tax credit funds		147	191
Total	$	4,151	4,195

Funds held by others are invested in cash, which is considered Level 1 within the fair value hierarchy.

(In thousands of dollars)

(7) Investments

The components of the Library's investments at June 30, 2019 and 2018 were as follows:

		Fair value	
		2019	**2018**
Managed accounts	$	365,273	445,254
Commingled investment funds		642,726	573,386
Hedge funds		211,579	182,234
Private market funds		80,825	111,603
Total	$	1,300,403	1,312,477

Information with respect to investment strategies, redemption terms, and funding commitments for these investments is as follows:

Managed Accounts**:** Investments held in managed custodial accounts are segregated from other client assets (i.e., not commingled) and are held in the Library's name at each institution. The underlying assets in the accounts include short-term investments, currency futures, domestic common stocks, corporate bonds, and government bonds. For these accounts, the Library has daily liquidity with one or two days' notice required for redemptions or transfers.

Commingled Investment Funds**:** Commingled investment funds typically include traditional strategies employed by investment managers that invest in publicly traded equity and fixed-income securities. These strategies include, but are not limited to, diversified portfolios of U.S. equities, international equities, corporate bonds, and government-issued debt securities. The funds are typically structured as pooled investment vehicles, which may include private limited partnerships or institutional mutual funds that may or may not issue a daily NAV. One investment within the Library's commingled investment fund portfolio, with a value of $46,980 at June 30, 2019, was subject to a two year lock-up provision upon subscription. For the Library's current investments in such commingled funds, redemptions are allowed at a frequency that ranges from daily to annually and the notice period ranges from 1 day to 60 days.

Hedge Funds**:** Hedge funds include a large number of investment strategies for which the underlying manager's investments are typically made in public exchange-traded securities or other types of assets that are actively traded and priced in the broker-dealer markets. For example, long/short equity managers generally build diversified portfolios of long and short investments in publicly listed equity securities based upon their positive or negative fundamental outlook for the prospects of the underlying businesses. Multi-strategy managers employ an opportunistic approach across strategies, and the manager will allocate capital based on their assessment of the relative top-down opportunity set. This includes, but is not limited to, investment opportunities in fundamental corporate equities and credit, event-driven situations such as bankruptcies and mergers, and relative value arbitrage strategies in securities that are believed to be mis-priced relative to their intrinsic value due to a market dislocation or inefficiency. Commodity-oriented strategies typically include long and short positions in exchange-traded commodity futures, options, and equities based upon the underlying manager's fundamental analysis of the supply/demand characteristics for a given commodity market. Hedge funds are typically structured as onshore or offshore private limited partnerships, which may include lock-ups and/or limited redemption terms. For the Library's hedge fund portfolio, the lock-up provisions for investments subject to such terms generally range from one year to three years. At June 30, 2019, $15,989 of the Library's hedge fund portfolio is within a specified lock-up period. For the remaining $195,590 of hedge fund investments at June 30, 2019, which are not subject to a lock-up provision, redemptions are allowed on an ongoing basis that ranges from quarterly to annually. Redemption notice periods range from 60 to 180 days prior to the stipulated redemption date. At June 30, 2019, the Library had no unfunded commitments to hedge funds.

(In thousands of dollars)

Private Market Funds**:** Private market funds include a variety of investment strategies for which the underlying manager's investments are made in companies or assets that do not trade on a public exchange. For example, private equity strategies can include investments in mature private companies in which the manager acquires a controlling equity stake and attempts to improve the operating characteristics, management team, or capital structure of the underlying businesses. Venture capital strategies include investments in less-mature private companies that require equity capital to achieve strong sales growth for their products and services. Real estate strategies include equity or debt investments that are secured by the value of physical properties such as office, multi-family residential, hotel, retail, and industrial buildings and assets. Private market funds are usually structured as onshore private limited partnerships to which limited partners commit a specified amount of capital that is called down over time as investment opportunities are identified, typically over a four to five year fixed initial investment period. Investments cannot be redeemed during the fund's stated life, which is usually 10 to 15 years from the initial commitment date. Incremental extensions can also be granted at the expiration of a fund's life, but they typically require the consent of the majority of the limited partners. At June 30, 2019, the Library had $107,103 in unfunded commitments to private market funds. Additionally, at June 30, 2019, the Library's investments in these partnerships had remaining lives of less than 1 year and up to 13.5 years, with an average of 6 years assuming all of the potential extension periods are granted at expiration.

The following table summarizes the Library's investment return in the accompanying statement of activities for the years ended June 30, 2019 and 2018:

		2019	2018
Investment return, net	$	39,476	112,642
Investment return appropriated for spending		(54,999)	(51,884)
Investment return reported as nonoperating	$	(15,523)	60,758

(8) Endowment Funds

The Library's endowment consists of 430 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Library has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the Library to appropriate for expenditure or accumulate so much of an endowment fund as the Library determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the Library classifies as net assets restricted in perpetuity (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 of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification (ASC) Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not held in perpetuity to be classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

i The duration and preservation of the endowment fund

ii The purposes of the Library and the endowment fund

iii General economic conditions

iv The possible effect of inflation and deflation

v The expected total return from income and the appreciation of investments

vi Other resources of the Library

vii Alternatives to expenditure of the endowment fund

viii The investment policies of the Library

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund’s historic dollar value. At June 30, 2019 and 2018, the aggregate fair value of four and two donor-restricted endowment funds of $49,523 and $157, respectively, were lower than their aggregate book value of $50,008 and $245, respectively, (i.e., underwater) by a total of $485 and $88, respectively.

The Library employs an asset allocation model having a multi-year investment horizon, and it manages its endowment in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The Library’s spending policy is designed to provide a stable level of financial

(Continued)

(In thousands of dollars)

support and to preserve the real value of its endowment. The Library compares the performance of its endowment against several benchmarks, including its asset allocation policy index.

The Library calculates annual spending as (i) 75% of the prior year's endowment spending, adjusted for inflation by the consumer price index (CPI) and for new gifts received during the twelve months ending December 31 preceding the start of the fiscal year and not reflected in the prior fiscal year's endowment spending and (ii) 25% of 4.5% of the endowment market value as of December 31 preceding the start of said fiscal year (Current Market Value), provided, however, that in order to avoid any unintended spending distortions over time, in no event shall the spending amount with respect to any fiscal year be less than 4% or more than 6% of the Current Market Value. Any excess is reinvested.

Endowment net assets (excluding pledges and split interest agreements), including certain invested conditional contributions recorded as deferred revenue (note 14), consisted of the following at June 30, 2019:

			With donor restrictions		
		Without donor restrictions	Purpose and/or time	Perpetual	Total
Donor-restricted funds	$	—	306,758	463,879	770,637
Board-designated funds functioning as endowment		491,670	18,953	—	510,623
Total	$	491,670	325,711	463,879	1,281,260

Endowment net assets (excluding pledges and split interest agreements), including certain invested conditional contributions recorded as deferred revenue (note 14), consisted of the following at June 30, 2018:

			With donor restrictions		
		Without donor restrictions	Purpose and/or time	Perpetual	Total
Donor-restricted funds	$	—	317,357	457,309	774,666
Board-designated funds functioning as endowment		478,551	21,940	—	500,491
Total	$	478,551	339,297	457,309	1,275,157

(In thousands of dollars)

Changes in endowment net assets for the fiscal years ended June 30, 2019 and 2018 were as follows:

	Without donor restrictions	With donor restrictions: Purpose and/or time	With donor restrictions: Perpetual	Total
Net assets at June 30, 2017	$ 432,216	304,339	443,928	1,180,483
Investment return, net	68,030	40,239	2,855	111,124
Contributions and other additions	23,750	—	10,531	34,281
Transfers	—	—	(5)	(5)
Appropriated for spending	(45,445)	(5,281)	—	(50,726)
Net assets at June 30, 2018	478,551	339,297	457,309	1,275,157
Investment return, net	38,564	(3,420)	1,856	37,000
Contributions and other additions	19,791	—	4,714	24,505
Transfers	(2)	(2,560)	—	(2,562)
Appropriated for spending	(45,234)	(7,606)	—	(52,840)
Net assets at June 30, 2019	$ 491,670	325,711	463,879	1,281,260

(9) Fixed Assets

Fixed asset balances at June 30, 2019 and 2018 were as follows:

	2019	2018
Land	$ 4,193	4,193
Buildings and improvements	670,607	627,278
Leasehold improvements	48,723	48,723
Furniture and equipment	62,268	60,760
Construction in progress	141,318	76,344
	927,109	817,298
Less accumulated depreciation and amortization	(433,982)	(396,976)
	$ 493,127	420,322

Land amounts reported above include board-designated real estate used in operations of $1,084 at June 30, 2019 and 2018.

(In thousands of dollars)

On December 23, 2016, the Library entered into a Purchase and Sale Agreement (the Agreement) for the sale of the remaining floors of a condominium building for $93,500 (before closing fees of $393). Simultaneously with the execution and delivery of the Agreement, the buyer, as landlord, and the Library, as tenant, executed a lease agreement for the space for a three-year period at a rate of $1 per annum.

Pursuant to ASC Topic 840, *Leases*, the Library did not meet the criteria for sale-leaseback accounting and therefore, the transaction is accounted for as a financing transaction until the end of the three-year lease term, at which time the sale will be recognized. Accordingly, the sales proceeds are accounted for as a financing obligation, with interest expense imputed at an effective rate of 4.13% over the three year period. The closing costs are treated as debt issuance costs reported as a reduction to the obligation and amortized over the three-year period.

The changes in the financing obligation for the fiscal years ended June 30, 2019 and 2018 were as follows:

		2019	2018
Financing obligation at beginning of year	$	97,808	93,252
Imputed interest expense		3,846	3,846
Amortization of costs of issuance		710	710
Financing obligation at end of year	$	102,364	97,808

(10) Pensions and Postemployment Benefits

Substantially all of the Library’s salaried employees are participants in the New York State and Local Employees’ Retirement System (NYSLRS). NYSLRS is a cost sharing, multiple employer public employee retirement system that offers plans and benefits related to years of service and final average salary. All benefits generally vest after five years of accredited service. Pension expense for these employees was approximately $15,012 and $17,078, respectively, for the years ended June 30, 2019 and 2018. There have been no significant changes that affect the comparability of fiscal year 2019 and 2018 contributions. 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 plan for the years ended March 31, 2019 and 2018. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2019 and 2018. 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. The Employer Identification Number for NYSLRS is 14-6020869.

Under a 1937 agreement between the Library and the City, the City is responsible for pension liabilities to NYSLRS for Library employees whose salaries are funded by the City. City funding for such liabilities is included in City operating revenues in the accompanying statement of activities.

For participants enrolled in NYSLRS prior to July 27, 1976, the Library contributes the total amount necessary to pay benefits when due. Participants who enrolled in NYSLRS on or after July 27, 1976 are required to contribute 3% to 6% of their gross salary, and the Library contributes the remaining amounts necessary to pay benefits when due.

As of July 1, 2013, certain nonunion employees have an alternative option to participate in the New York State Voluntary Defined Contribution Plan (VDC). VDC participants are required to contribute 4.5% to 6.0% of their gross salary, and the Library contributes 8%. VDC expense was $1,025 and $906, respectively, for the years ended June 30, 2019 and 2018.

The Library provides certain severance and sick leave benefits under its Service Credit Program to all employees who meet certain age and service requirements. The present value of the Service Credit Leave obligation amounted to $4,151 and $3,954, respectively, at June 30, 2019 and 2018, which is included in accounts payable and accrued liabilities in the accompanying balance sheet. The liability is funded on a pay-as-you-go basis. Benefits paid and expenses recognized by the Library were $288 and $486, respectively, for the year ended June 30, 2019 and $437 and $53, respectively, for the year ended June 30, 2018.

(11) Postretirement Benefits Other than Pensions

In addition to providing pension benefits, the Library provides certain postretirement health and supplemental benefits to its salaried employees if they reach normal retirement age while working for the Library.

The Library funds its postretirement benefits on a pay-as-you-go basis; however, for financial reporting purposes, the Library records these benefits as employees earn them by rendering service. Accounting principles permit an employer to consider sources of funding when measuring the accrued postretirement obligation. The Library's postretirement benefit obligation considers the present value of the future appropriations from the City to fund a significant portion of postretirement benefits as they become due.

Effective July 1, 2015, the Library amended its postretirement benefit plan whereby nonunion employees hired after June 30, 2015 are not eligible to participate in the plan. In addition, effective January 1, 2016, Medicare-eligible nonunion retirees and their dependents will choose a Medicare supplement plan through a choice of providers in a private Medicare exchange along with a Health Care Reimbursement Account from the Library to help fund coverage. The Library further amended the plan, effective January 1, 2018, to reduce the reimbursement percentage of Medicare Part B premiums to nonunion employees.

(In thousands of dollars)

The following table sets forth the changes in the postretirement benefit obligation as of and for the years ended June 30, 2019 and 2018:

		2019	2018
Change in benefit obligation:			
Accumulated postretirement obligation at beginning of year	$	81,061	86,633
Service cost		2,626	3,026
Interest cost		3,292	3,308
Amendments		—	(1,932)
Participant contributions		323	261
Actuarial net loss (gain)		8,784	(6,639)
Benefits paid		(6,259)	(6,338)
City funding offset		2,755	2,742
Accumulated postretirement obligation at end of year		92,582	81,061
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contribution		3,181	3,335
Participant contributions		323	261
Benefits paid		(6,259)	(6,338)
City funding offset		2,755	2,742
Fair value of plan assets at end of year		—	—
Accrued postretirement benefits as reflected in the balance sheet	$	92,582	81,061

The accrued postretirement benefit obligation of $92,582 and $81,061, respectively, as of June 30, 2019 and 2018, is net of the present value of future City funding offset of $120,260 and $100,255, respectively.

(In thousands of dollars)

Net periodic postretirement benefit cost for the years ended June 30, 2019 and 2018 includes the following components:

	2019	2018
Service cost	$ 2,626	3,026
Interest cost	3,292	3,308
Net amortization and deferral	(2,300)	(1,547)
Net periodic postretirement benefit cost	$ 3,618	4,787
Weighted average assumptions used to determine benefit obligations – discount rate	3.50 %	4.15 %
Weighted average assumptions used to determine net periodic benefit cost – discount rate	4.15 %	3.90 %

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic postretirement benefit cost at June 30, 2019 and 2018 consist of the following:

	2019	2018
Net loss	$ 46,338	39,846
Prior service credit	(27,514)	(32,107)
Total	$ 18,824	7,739

The expected amortization to be included in net periodic postretirement benefit cost for fiscal year 2020 is $2,743 and $4,593 of net actuarial loss and prior service credit, respectively.

Other changes recognized in net assets without donor restrictions other than net periodic postretirement benefit cost during the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Net loss (gain)	$ 8,784	(6,639)
Prior service credit	4,593	2,493
Amortization of net loss	(2,292)	(2,878)
Total	$ 11,085	(7,024)

(Continued)

(In thousands of dollars)

The weighted average annual assumed rate of increase in the per capita cost of healthcare benefits (i.e., healthcare cost trend rate) begins at an initial rate of 6.5% for pre-65 participants and post-65 participants, and decreases gradually to 4.5% by 2037 and remains at that level thereafter. All other benefits are assumed to increase at an annual rate of 4.0%.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the plan. A 1% change in assumed healthcare cost trend rates would have the following effects as of June 30, 2019:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 1,381	(1,078)
Effect on the postretirement benefit obligation	17,311	(13,819)

Expected benefit payments, net of participant contributions and City funding, are as follows:

	Net benefit payments
Fiscal year(s) ending:	
2020	$ 3,149
2021	3,357
2022	3,710
2023	4,324
2024	4,479
2025–2029	25,021

As of June 30, 2019 and 2018, the Library has considered any provisions of healthcare reform that would be expected to have a significant impact on the measured obligation.

The Library also contributes to a Taft-Hartley trust, District Council 37 New York Public Library Health and Security Plan Trust (the Plan), which provides certain welfare benefits to active and eligible retired employees of the Library covered by a collective bargaining agreement. The collective bargaining agreement is negotiated and approved periodically. The Library records related expense as contributions are made. Total expense recognized under the Plan was $4,126 and $4,226, respectively, for the years ended June 30, 2019 and 2018. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents, and (2) active employees and their beneficiaries and dependents after retirement from service. As of June 30, 2018, the date of the Plan's most recently issued financial statements, the Plan had net assets available for benefits of $9,556. The actuarial present value of estimated future benefits to plan participants who have provided services as of June 30, 2018 amounted to $78,662 ($541 currently payable, $18,792 for actives fully eligible, $26,546 for actives not fully eligible, and $32,783 for retirees). There is no requirement for the Plan's Trustees to provide payment over and beyond the amounts in the Plan collected and held for such purpose. The Plan's Trustees have the right to change or discontinue the types and amounts of benefits under the Plan and the eligibility rules. The Library is currently the only remaining contributing employer to the Plan. The Employer Identification Number for the Plan is 13-3378857.

(12) Notes Payable

The Library entered into a NMTC financing transaction on December 18, 2014 in which a NMTC corporation is providing a $10,000 NMTC allocation to support the renovation project of the Schomburg Center for Research in Black Culture. The $10,000 allocation returns $3,900 in tax credits for the investor, and $2,951 in proceeds to the Qualified Active Low-Income Business, which is the Schomburg Center for Research in Black Culture, a portion of the business of the Library.

In connection with this NMTC financing, the Library agreed to borrow $9,800 under two notes, Note A in the amount of $6,849 and Note B in the amount of $2,951. Both notes carry a 1.000043% interest rate. The principal amount of Note A corresponds to a $6,849 loan made on December 18, 2014 by another bank to a controlled entity of the investor. The Library has a $6,164 participation in the $6,849 bank loan on which the Library receives interest at the rate of 0.50%. However, there is no right to offset the note receivable of $6,164 against the Note A payable of $6,849. Note A has a seven-year term, maturing on December 18, 2021. The principal balance of Note A is due upon maturity. Upon payment of the bank loan at maturity, the Library will receive the return of its $6,164 loan participation. As of June 30, 2019 and 2018, $6,849 has been advanced on the Note A. Unamortized cost of issuance at June 30, 2019 and 2018 was $161 and $225, respectively. The Library's $6,164 participation in the bank loan is reported as government and other receivables in the accompanying balance sheets as of June 30, 2019 and 2018.

Note B has a 30-year term, maturing on December 18, 2044. The Library expects that shortly after December 18, 2021, the date the NMTC 7-year compliance period ends, Note B will be forgiven in exchange for the payment of $5 through the exercise of a put option by the investor. The Library has determined that, in substance, Note B is revenue to the Library for performance under the NMTC arrangement and maintenance of compliance over the 7-year period. Accordingly, such revenue will be recognized on the straight-line basis over the 7-year period. Deferred revenue at June 30, 2019 and 2018 includes $1,054 and $1,475, respectively, of funds received on Note B in excess of revenue earned.

The Library also entered into a transaction on August 16, 2017 with a developer, as lender, for a $475 note payable, which is related to the acquisition of a property from the developer for the construction of a branch library. The maturity date of the note is the earlier of ten days after final completion has occurred or two and a half years from the commencement date of the note. The note carries an interest rate of 4% per annum.

(In thousands of dollars)

(13) Bonds Payable

Outstanding bonds payable at June 30, 2019 and 2018 consisted of the following:

		2019	2018
Fixed rate bonds, maturing July 1, 2045 (Series 2015)	$	185,000	185,000
Less unamortized costs of issuance		(1,236)	(1,283)
	$	183,764	183,717

On March 4, 2015, the Library issued the Series 2015 taxable bonds in the amount of $185,000. The Series 2015 bonds bear interest at a fixed rate of 4.305% payable on January 1 and July 1 of each year, commencing July 1, 2015. The principal amount of the Series 2015 bonds is due on July 1, 2045. The proceeds of the Series 2015 bonds were used to refund in full the outstanding Series 1999 bonds, pay the termination costs of the associated swap agreements, and pay the costs of issuance. The remaining proceeds further the Library's general corporate purposes and finance several capital projects.

For the years ended June 30, 2019 and 2018, interest expense was $7,964.

(14) Composition of Net Assets

Net assets without donor restrictions at June 30, 2019 and 2018 consisted of the following:

		2019	2018
Board-designated funds functioning as endowment	$	461,920	461,101
Board-designated funds for capital projects		36,785	49,584
Other board-designated funds		3,859	2,116
Total		502,564	512,801
Undesignated		127,319	136,126
Net assets without donor restrictions	$	629,883	648,927

Board-designated funds functioning as endowment exclude conditional contributions included in deferred revenue in the accompanying balance sheet in the amount of $29,750 and $17,450 as of June 30, 2019 and 2018.

(In thousands of dollars)

Net assets with donor restrictions at June 30, 2019 and 2018 consisted of the following:

		2019	2018
Net assets restricted for the following purposes or time periods:			
Program activities:			
Branch libraries	$	40,880	41,386
Research libraries		195,744	204,872
Conservation and cataloging		22,880	24,628
Exhibitions and public education programs		12,929	12,937
Other – principally, time restricted and for the general operations of the research libraries and library-wide programs		129,105	132,432
Net investment in plant not yet placed in service		79,949	1,825
Acquisition of fixed assets		17,894	14,775
Total		499,381	432,855
Net assets subject to perpetual donor restriction, support operations as follows:			
Branch libraries		36,516	36,209
Research libraries		250,877	248,481
Conservation and cataloging		21,311	21,102
Exhibitions and public education programs		15,477	15,448
Other – principally, for the general operations of the research libraries and library-wide programs		143,099	141,821
Total		467,280	463,061
Total net assets with donor restrictions	$	966,661	895,916

(15) Commitments and Contingencies

(a) Litigation and Claims

The Library is currently involved in certain litigation and claims arising in the normal course of its activities. Management believes that the amount of losses that may be sustained beyond existing insurance liability coverage, if any, would not have a material effect on the accompanying financial statements.

(b) Collective Bargaining Agreements

At June 30, 2019 and 2018, approximately 72% and 73%, respectively, of the Library salaried employees are unionized and are employed under Collective Bargaining Agreements between The New York Public Library and Local 1930 and Local 374 (District Council 37), which originally expired on July 2, 2017, and were extended through September 26, 2018. The Library concluded negotiations of a new Collective Bargaining Agreement with Local 1930 in May 2019 and is currently awaiting ratification by the membership. The Library commenced negotiations of a new Collective Bargaining Agreement with Local 374 in September 2019. The Library has adopted applicable provisions of the Economic Agreement between the City of New York and District Council 37. The Agreement is effective September 26, 2017 through May 25, 2021.

(In thousands of dollars)

(c) Lines of Credit

The Library has available an unsecured line of credit from a bank in the amount of $15,000, of which $1,000 has been applied toward a standby letter of credit associated with the Library's paid-loss workers' compensation insurance program. The line of credit is available through February 23, 2020, subject to extension, and carries an interest rate equal to the prime rate or LIBOR plus 0.45%, as the Library may elect. On September 27, 2019, the Library obtained an additional unsecured line of credit in the amount of $60,000 that the Library intends to use for capital expenditures only. The line of credit is available through July 31, 2020, subject to extension, and carries an interest rate equal to the prime rate minus 1.00% or LIBOR plus 0.40%.

(d) Leases

The Library's future minimum lease payments under noncancelable operating leases, in total and for each of the next five years, are as follows at June 30:

2020	$	7,181
2021		7,234
2022		6,588
2023		6,016
2024		5,248
Thereafter		67,954
Total	$	100,221

Various leases provide for annual increases in rents. Rent expense for the years ended June 30, 2019 and 2018 was approximately $7,328 and $7,296, respectively. The deferred rent obligation was $9,099 and $8,898, respectively, at June 30, 2019 and 2018, and is included in accounts payable and accrued liabilities in the accompanying balance sheet.

(e) Construction-Related Purchase Commitments

The Library has entered into construction-related purchase commitments of approximately $84,647 as of June 30, 2019.

(16) Functional Expense Classification

The Library's expenses are presented below by both their nature and their function. Expenses that are directly attributable to a specific program or supporting function are reported accordingly. Other expenses that are attributable to more than one program or supporting function are allocated on a consistent basis using square footage or estimates of time and effort.

(In thousands of dollars)

The following table presents functional expenses for the year ended June 30, 2019 and comparative totals for 2018:

		Branch library services	Research library services and library-wide programs	Total program services	Fundraising and membership development	Management and general	2019 Total	2018 Total
Salaries	$	79,433	42,186	121,619	4,907	14,367	140,893	140,265
Fringe benefits		33,956	17,898	51,854	2,157	6,219	60,230	61,675
Books and library materials		15,170	1	15,171	—	—	15,171	16,476
Binding and conservation expenditures		152	524	676	—	—	676	549
Office-related expenditures		1,609	346	1,955	331	55	2,341	2,500
Equipment rental and maintenance		1,929	671	2,600	50	87	2,737	2,005
Telecommunications		2,033	548	2,581	—	2	2,583	2,799
Building repairs, occupancy, and related expenditures		20,684	6,742	27,426	177	220	27,823	28,802
Contributed utilities and rent		7,260	2,135	9,395	—	—	9,395	10,266
Professional services		4,693	8,370	13,063	1,626	2,040	16,729	17,647
Promotional and special event expenses		14	454	468	1,067	299	1,834	1,546
Interest and accretion expense		6,166	5,034	11,200	471	1,030	12,701	12,702
Insurance expense		1,093	907	2,000	14	118	2,132	2,155
Other expenses		411	1,854	2,265	95	935	3,295	3,740
Total operating expenses		174,603	87,670	262,273	10,895	25,372	298,540	303,127
Additions to research collections		—	14,302	14,302	—	—	14,302	12,134
Depreciation and amortization		9,657	11,693	21,350	270	781	22,401	22,189
Net periodic benefit cost other than service cost		558	297	855	35	102	992	1,761
Total expenses	$	184,818	113,962	298,780	11,200	26,255	336,235	339,211

(17) Liquidity and Availability of Resources

The Library regularly monitors liquidity required to meet its operating needs and other financial commitments, while also striving to maximize the investment of its available funds. Cash in excess of daily requirements is maintained in interest-bearing bank accounts or invested in short-term investments.

For purposes of analyzing resources to meet operating expenditures over a 12-month period, the Library considers all expenditures that are integral to its programs and supporting activities to be operating expenditures. In addition to financial assets available to meet operating expenditures over the next 12 months, the Library operates with a balanced budget and anticipates receiving significant support from the City, the State, and private contributions and grants.

(In thousands of dollars)

The Library may draw upon a line of credit in the amount of $15,000 to manage liquidity needs and also has funds held by others of $3,982 for the payment of debt service. In addition, the Library has board-designated endowment funds of $492,000 subject to an annual spending appropriation described in note 8. Although the Library does not intend to spend from this board-designated endowment (other than the amount appropriated for general expenditure as part of the annual budget approval and appropriation), these amounts could be made available if necessary.

The following schedule reflects total financial assets as of June 30, 2019, reduced by amounts not available for operating expenditures within one year because of donor-imposed restrictions or internal designations of funds:

		2019
Cash and cash equivalents	$	115,263
Government and other receivables		153,632
Contributions receivables, net		47,881
Investments		1,300,403
Total financial assets		1,617,179
Less amounts unavailable for general expenditures in the next 12 months:		
Contributions and government and other receivables		(167,156)
Investments in pooled income fund and gift annuity funds		(6,208)
Endowment funds with donor restrictions		(789,590)
Board-designated endowment funds		(491,670)
Cash designated for capital		(5,604)
Add endowment funds appropriated for spending in FY 2020		53,589
Total financial assets available for operating expenditures in the next 12 months	$	210,540

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
The New York Public Library,
Astor, Lenox and Tilden Foundations:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The New York Public Library, Astor, Lenox and Tilden Foundations (the Library), which comprise the balance sheet as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2019. This report included an emphasis of matter paragraph relating to the adoption of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 6, 2019