



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

Financial Statements

June 30, 2020

(With Summarized Comparative Financial Information as of  
and for the Year Ended June 30, 2019)

(With Independent Auditors' Report Thereon)

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

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6



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:

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, 2020, 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. 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, 2020, 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, the Library adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, on a retrospective basis. Our opinion is not modified with respect to this matter.

*Report on Summarized Comparative Information*

We have previously audited The Library's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived before the adjustment to adopt ASU 2016-18. As part of our audit of the 2020 financial statements, we also audited the adjustment described in note 2(u) that was applied to adopt ASU 2016-18 retrospectively in the 2019 financial statements. In our opinion, such adjustment is appropriate and has been properly applied.

*KPMG LLP*

November 4, 2020

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

Balance Sheet

June 30, 2020

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

(In thousands of dollars)

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 154,993	115,263
Government and other receivables (notes 4 and 12)	141,643	153,632
Contributions receivable, net (note 5)	49,496	47,881
Other assets	8,213	8,475
Funds held by others (note 6)	4,108	4,151
Investments (notes 3 and 7)	1,273,413	1,300,403
Fixed assets, net (notes 9 and 15)	584,051	493,127
Collections		
Total assets	\$ 2,215,917	2,122,932
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities (notes 10 and 15)	\$ 97,916	97,719
Deferred revenue (notes 5 and 12)	46,293	42,796
Note payable, net (note 12)	6,753	7,163
Financing obligation (note 9)	21,456	102,364
Capital lease liability (notes 9 and 15)	26,966	—
Bonds payable, net (note 13)	183,812	183,764
Accrued postretirement benefits (note 11)	93,615	92,582
Total liabilities	476,811	526,388
Commitments and contingencies (notes 7, 10, 11, 12, and 15)		
Net assets (note 14):		
Net assets without donor restrictions	717,871	629,883
Net assets with donor restrictions	1,021,235	966,661
Total net assets	1,739,106	1,596,544
Total liabilities and net assets	\$ 2,215,917	2,122,932

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2020

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

(In thousands of dollars)

	Without donor restrictions	With donor restrictions	2020 Total	2019 Total
Operating revenues:				
City of New York	\$ 195,972	—	195,972	181,934
State of New York	19,533	—	19,533	21,018
Federal government	811	—	811	716
Contributed utilities and rent	9,187	—	9,187	9,395
Private contributions and grants	24,911	14,253	39,164	41,718
Investment return appropriated for spending (note 7)	45,002	9,451	54,453	54,999
Fines, royalties, and other revenue	10,360	115	10,475	15,660
	<u>305,776</u>	<u>23,819</u>	<u>329,595</u>	<u>325,440</u>
Net assets released from restrictions	19,090	(19,090)	—	—
Total operating revenues	<u>324,866</u>	<u>4,729</u>	<u>329,595</u>	<u>325,440</u>
Operating expenses (note 16):				
Branch library services	179,041	—	179,041	174,603
Research library services and library-wide programs	82,809	—	82,809	87,670
Total program services	<u>261,850</u>	<u>—</u>	<u>261,850</u>	<u>262,273</u>
Fundraising and membership development	10,345	—	10,345	10,895
Management and general	26,967	—	26,967	25,372
Total operating expenses	<u>299,162</u>	<u>—</u>	<u>299,162</u>	<u>298,540</u>
Additions to research collections	13,639	—	13,639	14,302
Total operating expenses and additions to research collections	<u>312,801</u>	<u>—</u>	<u>312,801</u>	<u>312,842</u>
Change in net assets from operating activities, before gain on sale of real estate	12,065	4,729	16,794	12,598
Gain on sale of real estate (note 9)	86,200	—	86,200	—
Change in net assets from operating activities	<u>98,265</u>	<u>4,729</u>	<u>102,994</u>	<u>12,598</u>
Nonoperating activities:				
Endowment contributions and funds designated for long-term investment, net	(1,168)	17,170	16,002	7,600
Net assets released from restrictions for capital and contributions receivable collected	10,602	(10,602)	—	—
Appropriations and contributions for capital	12,369	55,540	67,909	81,504
Depreciation and amortization (note 16)	(22,218)	—	(22,218)	(22,401)
Investment return, net of amounts appropriated (note 7)	(8,267)	(12,353)	(20,620)	(15,523)
Changes in postretirement benefits obligation other than net periodic benefit cost (note 11)	(856)	—	(856)	(11,085)
Net periodic benefit cost other than service cost (note 11)	(649)	—	(649)	(992)
Change in donor designation	(90)	90	—	—
Change in net assets from nonoperating activities	<u>(10,277)</u>	<u>49,845</u>	<u>39,568</u>	<u>39,103</u>
Change in net assets	<u>87,988</u>	<u>54,574</u>	<u>142,562</u>	<u>51,701</u>
Net assets at beginning of year	629,883	966,661	1,596,544	1,544,843
Net assets at end of year	<u>\$ 717,871</u>	<u>1,021,235</u>	<u>1,739,106</u>	<u>1,596,544</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2020

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

(In thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 142,562	51,701
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net appreciation on investments	(32,364)	(36,203)
Depreciation and amortization	23,593	23,223
Amortization of deferred revenue	(422)	(422)
Imputed interest related to capital lease	798	—
Imputed interest related to financing obligation	2,341	3,845
Deferred rent expense	68	238
Postretirement benefits changes other than net periodic benefit cost	856	11,085
Appropriations and contributions for capital	(67,909)	(81,504)
Endowment contributions	(17,170)	(2,362)
Investment income restricted in perpetuity, net of expenses	(907)	(1,856)
Gain on sale of real estate (net of disposal of \$18,443)	(86,200)	—
Changes in operating assets and liabilities:		
Receivables, except for contributions and other receivables restricted for investment in endowment and capital projects	(418)	10,331
Other assets	328	(1,155)
Accounts payable and accrued liabilities, except for accounts payable and accrued liabilities relating to fixed assets and deferred rent	4,561	(3,799)
Accrued postretirement benefits	177	436
Deferred revenue	1,781	13,377
Net cash used in operating activities	(28,325)	(13,065)
Cash flows from investing activities:		
Purchases of investments	(327,039)	(468,663)
Proceeds from sales of investments	379,650	475,734
Purchases of fixed assets	(104,986)	(95,206)
Change in accounts payable and accrued liabilities relating to fixed assets	(4,432)	12,628
Net cash used in investing activities	(56,807)	(75,507)
Cash flows from financing activities:		
Change in contributions receivable restricted for investment in endowment	(7,596)	2,359
Change in contributions and other receivables restricted for capital projects	18,388	(58,823)
Change in deferred revenue relating to capital projects	2,138	(1,433)
Appropriations and contributions for capital	67,909	81,504
Endowment contributions	17,170	2,362
Investment income restricted in perpetuity, net of expenses	907	1,856
Repayment of note payable	(475)	—
Issuance of financing obligation	21,686	—
Financing obligation cost of issuance	(1,555)	—
Capital lease principal payments	(430)	—
Net cash provided by financing activities	118,142	27,825
Net increase (decrease) in cash and cash equivalents	33,010	(60,747)
Cash and cash equivalents at beginning of year	138,735	199,482
Cash and cash equivalents at end of year	\$ 171,745	138,735
Reconciliation to balance sheet:		
Cash and cash equivalents per above	\$ 171,745	138,735
Less: amounts included in lines other than cash and cash equivalents on balance sheet		
Funds held by others	(4,108)	(4,151)
Investments	(12,528)	(19,271)
Other assets	(116)	(50)
Cash and cash equivalents per balance sheet	\$ 154,993	115,263
Supplemental disclosures:		
Unrelated business income taxes paid	\$ 255	403
Interest paid	8,882	8,062
Imputed interest related to financing obligation and capital lease	3,140	3,845
Capital lease entered into	26,598	—

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(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 private sources, investment income, the City, the State, and the Federal government.

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.



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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

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 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.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

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, 2020 and 2019, the Library recognized revenues and expenses each totaling \$6,884 and \$7,117, 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 2020 and 2019).

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, 2020 and 2019, the Library recognized revenues and expenses, each totaling \$2,302 and \$2,278, 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 \$2,383 and \$5,298, respectively, for the years ended June 30, 2020 and 2019, and are included in private contributions and grants in the accompanying statement of activities. The costs for these events totaled approximately \$619 and \$1,304 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.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(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 the 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 (0.6% and 2.8% at June 30, 2020 and 2019, respectively), and other changes in the estimates of future benefits. The related liabilities for beneficiary payments in the amount of \$5,427 and \$4,647, respectively, at June 30, 2020 and 2019 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 \$5,543 and \$5,492, respectively, at June 30, 2020 and 2019, and are included in investments in the accompanying balance sheet.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

In 2020 and 2019, 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 \$647 and \$716, respectively, at June 30, 2020 and 2019, 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 \$1,726 and \$1,770, respectively, at June 30, 2020 and 2019.

**(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, purchase of furniture and equipment, and property leased under capital leases. 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, furniture and equipment, and property leased under capital leases, 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, 2020 and 2019, such amounts were approximately \$16,740 and \$11,140, 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.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(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, 2020 and 2019.

**(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, 2020 and 2019, 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, 2019 from which the summarized information was derived.

**(t) *Reclassifications***

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(u) New Authoritative Accounting Pronouncements**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that the statement of cash flows explain the change during a reporting period in the sum of cash, cash equivalents, and amounts generally described as restricted cash. The Library adopted this ASU for the fiscal year ended June 30, 2020 on a retrospective basis. As a result, the Library reclassified certain amounts previously reported on the statement of cash flows for the year ended June 30, 2019 to conform to the requirements of the new standard. On the statement of cash flows, cash and cash equivalents at July 1, 2018 and June 30, 2019 were restated from \$134,790 to \$199,482 and \$115,263 to \$138,735, respectively. The adoption of this standard had no impact on the Library's statement of financial position or statement of activities.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of 12 months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (b) a right-of-use asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2020. Management is evaluating the effect that ASU No. 2016-02 will have on its fiscal year 2021 financial statements.

**(v) Subsequent Events**

In conjunction with the preparation of the financial statements, the Library evaluated subsequent events from July 1, 2020 through November 4, 2020, the date on which the financial statements were issued, and has concluded that no further disclosures are required.

The spread of coronavirus (COVID-19) around the world in 2020 has caused significant volatility in U.S. and international markets. Considerable uncertainty remains around the breadth and duration of disruptions to business and other activities and the impact on the U.S. and international economies. After temporarily closing Library locations on March 14 in accordance with directives issued by the New York State government, the Library enhanced a wide variety of virtual services for patrons. On July 15, the Library began a gradual and phased return of limited services to its physical locations. Although the financial impact and duration of COVID-19 cannot be reasonably estimated at this time, the Library has considered the uncertainties of COVID-19 in its budget planning and has adjusted its operations to mitigate the financial impact of COVID-19.

**(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

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

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 the measurement date.

*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 the fair value hierarchy or using the NAV per share practical expedient at June 30, 2020 and 2019:

	<b>2020</b>		
	<b>Measured at NAV</b>	<b>Level 1</b>	<b>Total</b>
Managed accounts:			
Short-term investments	\$ —	177,249	177,249
Domestic common stocks	—	85,747	85,747
Corporate bonds	—	508	508
Commingled investment funds:			
Domestic equity funds	212,134	2,228	214,362
Global/international equity funds	446,323	1,628	447,951
Fixed-income funds	—	1,760	1,760
Hedge funds:			
Single-strategy equity funds	80,762	—	80,762
Multistrategy funds	186,127	—	186,127
Private market funds:			
Venture capital	260	—	260
Private equity	56,708	—	56,708
Real estate	21,979	—	21,979
	<u>\$ 1,004,293</u>	<u>269,120</u>	<u>1,273,413</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

	<b>2019</b>		
	<b>Measured at NAV</b>	<b>Level 1</b>	<b>Total</b>
Managed accounts:			
Short-term investments	\$ —	265,549	265,549
Currency futures	—	35	35
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:			
Single-strategy funds	35,777	—	35,777
Multistrategy funds	175,802	—	175,802
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

**(4) Government and Other Receivables**

At June 30, 2020 and 2019, government and other receivables consisted of the following:

	<b>2020</b>	<b>2019</b>
City of New York – construction	\$ 106,712	125,261
City of New York – other	14,471	13,493
State of New York	6,916	7,274
Other (note 12)	13,544	7,604
Total	\$ 141,643	153,632

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



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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(5) Contributions Receivable**

Contributions receivable at June 30, 2020 and 2019 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
Less than one year	\$ 23,222	21,778
One to five years	23,544	21,636
More than five years	<u>4,496</u>	<u>6,300</u>
	51,262	49,714
Less discount to present value (at rates ranging from 0.8% to 5.0%)	<u>(1,766)</u>	<u>(1,833)</u>
	<u>\$ 49,496</u>	<u>47,881</u>

At June 30, 2020 and 2019, approximately 47% and 45%, respectively, of gross contributions receivable is due from three and two donors, respectively.

As of June 30, 2020 and 2019, the Library has received conditional contributions of \$67,174 and \$62,171, 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. Of these amounts, the Library has received payments of \$40,542 and \$40,224, as of June 30, 2020 and 2019, respectively, in advance of satisfying donor-imposed conditions that have been reported as deferred revenue.

**(6) Funds Held by Others**

At June 30, 2020 and 2019, 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Debt service fund	\$ 3,982	3,982
Cost of issuance fund	22	22
New markets tax credit funds	<u>104</u>	<u>147</u>
Total	<u>\$ 4,108</u>	<u>4,151</u>

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

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(7) Investments**

The components of the Library's investments at June 30, 2020 and 2019 were as follows:

	<b>Fair value</b>	
	<b>2020</b>	<b>2019</b>
Managed accounts	\$ 263,504	365,273
Commingled investment funds	664,073	642,726
Hedge funds	266,889	211,579
Private market funds	78,947	80,825
Total	\$ 1,273,413	1,300,403

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. At June 30, 2020, \$52,577 of the Library's commingled investment funds are within a specified lock-up period ranging from 2 to 5 years. For the remaining \$611,497 of commingled investment funds at June 30, 2020, which are not subject to a lock-up provision, redemptions are allowed on an ongoing basis that ranges from semi-monthly to annually, with notice periods ranging from 3 to 90 days. At June 30, 2020, the Library had one commingled investment fund with an unfunded commitment of \$31,932.

**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. Multistrategy 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 mispriced relative to their intrinsic value due to a market dislocation or inefficiency. Many multistrategy managers also make investments in private securities. Single strategy managers will invest in a variety of different markets with different

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

approaches. For example, long/short equity managers generally build diversified portfolios of investments and trading positions in publicly listed equity securities based upon their positive or negative fundamental outlook for the prospects of the underlying businesses. 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. Credit strategies typically invest in debt instruments, including investment grade credit, high yield credit, distressed debt, and structured credit. Hedge funds are typically structured as onshore or offshore private limited partnerships, which may include lock-ups and/or limited redemption terms. At June 30, 2020, \$49,016 of the Library's hedge fund portfolio is subject to lock-up periods ranging from one to three years (although one investment cannot be redeemed at the Library's discretion). For the remaining \$217,873 of hedge fund investments at June 30, 2020, which are not subject to lock-up provision, redemptions are allowed on an ongoing basis that ranges from quarterly to semiannually. Redemption notice periods range from 45 to 90 days prior to the stipulated redemption date. At June 30, 2020, the Library had total unfunded commitments to hedge funds of \$45,143.

**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, multifamily 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, 2020, the Library had \$125,160 in unfunded commitments to private market funds. Additionally, at June 30, 2020, the Library's investments in these partnerships had remaining lives ranging from less than 1 year to 13 years, with an average of 5 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investment return, net	\$ 33,833	39,476
Investment return appropriated for spending	<u>(54,453)</u>	<u>(54,999)</u>
Investment return reported as nonoperating	<u>\$ (20,620)</u>	<u>(15,523)</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(8) Endowment Funds**

The Library's endowment consists of 431 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, 2020 and 2019, the aggregate fair values of four donor-restricted endowment funds of \$48,610 and \$49,523, respectively, were lower than their aggregate book value of \$50,007 (i.e., underwater) by a total of \$1,397 and \$484, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

The Library employs an asset allocation model having a multiyear 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 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, 2020:

	Without donor restrictions	With donor restrictions		Total
		Purpose and/or time	Perpetual	
Donor-restricted funds	\$ —	294,038	469,406	763,444
Board-designated funds functioning as endowment	483,484	18,481	—	501,965
Total	\$ 483,484	312,519	469,406	1,265,409

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:

	Without donor restrictions	With donor restrictions		Total
		Purpose and/or time	Perpetual	
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

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

Changes in endowment net assets for the fiscal years ended June 30, 2020 and 2019 were as follows:

	Without donor restrictions	With donor restrictions		Total
		Purpose and/or time	Perpetual	
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
Investment return, net	35,680	(3,960)	907	32,627
Contributions and other additions	365	—	6,620	6,985
Transfers	(90)	—	(2,000)	(2,090)
Appropriated for spending	(44,141)	(9,232)	—	(53,373)
Net assets at June 30, 2020	\$ 483,484	312,519	469,406	1,265,409

**(9) Fixed Assets**

Fixed asset balances at June 30, 2020 and 2019 were as follows:

	2020	2019
Land (a)	\$ 4,193	4,193
Buildings and improvements	657,357	670,607
Leasehold improvements	48,723	48,723
Furniture and equipment	65,485	62,268
Leased property under capital lease (b)	26,598	—
Construction in progress	206,756	141,318
	1,009,112	927,109
Less accumulated depreciation and amortization	(425,061)	(433,982)
	\$ 584,051	493,127

(a) Land amounts reported above include board-designated real estate used in operations of \$1,084 at June 30, 2020 and 2019.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

- (b) On October 16, 2019, the Library entered into an amended lease agreement to extend the terms of a branch library. The amended lease agreement met the criteria of a capital lease and is being amortized on a straight-line basis over 32 years. The interest rate related on the capital lease obligation is 3.98%.

On December 23, 2016, the Library entered into a Purchase and Sale 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 Purchase and Sale Agreement, the buyer, as landlord, and the Library, as tenant, executed a lease agreement for the provision of library services 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 was accounted for as a financing transaction until the end of the three-year lease term. Accordingly, the sales proceeds were 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 were treated as debt issuance costs reported as a reduction to the obligation and amortized over the three-year period. On December 31, 2019 (the end of the lease term), the Library recognized a gain on the sale of \$86,200.

On November 21, 2019, the Library entered into a Purchase and Sale Agreement for the sale of two floors of a condominium (two units) building for \$21,686 (before closing fees of \$1,555). Simultaneously with the execution and delivery of the Purchase and Sale Agreement, the buyer, as landlord, and the Library, as tenant, executed separate leases for each of the floors for a one-year initial lease term. Per the terms of each of the lease agreements, the Library is responsible for payment of a) the monthly common charges assessed by the condominium against the units and b) real estate taxes, general and special assessments, water and sewer charges, license fees, business improvement district fees and charges, and other fees and charges assessed or imposed by governmental authorities due with respect to each unit. Provided there is no default, the Library may extend each of the leases for an additional two-month period, for an extension fee in the amount of \$128 (per floor).

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 one-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 3.31% over the one-year period. The closing costs are treated as debt issuance costs reported as a reduction to the obligation and amortized over the one-year period.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

The changes in the financing obligation for the fiscal years ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Financing obligation at beginning of year	\$ 102,364	97,808
Proceeds received at closing	21,686	—
Costs of issuance	(1,555)	—
Imputed interest expense	2,341	3,846
Amortization of costs of issuance	1,263	710
Recognition of sale	(104,643)	—
Financing obligation at end of year	<u>\$ 21,456</u>	<u>102,364</u>

**(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 \$16,120 and \$15,012, respectively, for the years ended June 30, 2020 and 2019. There have been no significant changes that affect the comparability of fiscal year 2020 and 2019 contributions. The Library was not listed in the plan's most recent available audited financial statements as providing more than 5% of the total contributions to the plan for the years ended March 31, 2020 and 2019. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2020 and 2019. 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 \$1,180 and \$1,025, respectively, for the years ended June 30, 2020 and 2019.



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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

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 \$4,325 and \$4,151, respectively, at June 30, 2020 and 2019, 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 \$381 and \$554, respectively, for the year ended June 30, 2020 and \$288 and \$486, respectively, for the year ended June 30, 2019.

**(11) Postretirement Benefits Other than Pensions**

In addition to providing access to 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 amended the plan, effective January 1, 2018, to reduce the reimbursement percentage of Medicare Part B premiums to nonunion employees. The Library further amended its plan effective January 1, 2020 to 1) decrease the limit of the annual percentage increase to retiree allocations under the Health Reimbursement Account and 2) limit the annual gap coverage for prescription drugs for nonunion retirees. The Library remeasured obligations as of December 31, 2019 and recalculated net periodic benefit costs to reflect these changes.

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

Notes to Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Change in benefit obligation:		
Accumulated postretirement obligation at beginning of year	\$ 92,582	81,061
Service cost	2,762	2,626
Interest cost	2,931	3,292
Amendments	(6,424)	—
Participant contributions	318	323
Actuarial net loss	4,999	8,784
Benefits paid	(6,624)	(6,259)
City funding offset	3,071	2,755
	<u>93,615</u>	<u>92,582</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	3,235	3,181
Participant contributions	318	323
Benefits paid	(6,624)	(6,259)
City funding offset	3,071	2,755
	<u>—</u>	<u>—</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accrued postretirement benefits as reflected in the balance sheet	<u>\$ 93,615</u>	<u>92,582</u>

The accrued postretirement benefit obligation of \$93,615 and \$92,582, respectively, as of June 30, 2020 and 2019, is net of the present value of future City funding offset of \$141,912 and \$120,260, respectively.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

Net periodic postretirement benefit cost for the years ended June 30, 2020 and 2019 includes the following components:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 2,762	2,626
Interest cost	2,931	3,292
Net amortization and deferral	<u>(2,282)</u>	<u>(2,301)</u>
Net periodic postretirement benefit cost	<u>\$ 3,411</u>	<u>3,617</u>
Weighted average assumptions used to determine benefit obligations – discount rate	2.65 %	3.50 %
Weighted average assumptions used to determine net periodic benefit cost – discount rate	3.50% as of June 30, 2019	4.15 %
	3.25% as of December 31, 2019	

Accumulated amounts recorded in net assets without donor restrictions other than through net periodic postretirement benefit cost at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Net loss	\$ 48,740	46,338
Prior service credit	<u>(29,060)</u>	<u>(27,514)</u>
Total	<u>\$ 19,680</u>	<u>18,824</u>

The expected amortization to be included in net periodic postretirement benefit cost for fiscal year 2021 is \$2,950 and \$5,163 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Net loss	\$ 4,999	8,784
Prior service (credit) cost	(1,546)	4,593
Amortization of net loss	<u>(2,597)</u>	<u>(2,292)</u>
Total	<u>\$ 856</u>	<u>11,085</u>

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

Notes to Financial Statements

June 30, 2020 and 2019

(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 6.2% 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, 2020:

	<b>1% Increase</b>	<b>1% Decrease</b>
Effect on total of service and interest cost components	\$ 1,406	(1,086)
Effect on the postretirement benefit obligation	17,148	(13,261)

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

	<b>Net benefit payments</b>
Fiscal year(s) ending:	
2021	\$ 3,327
2022	3,491
2023	3,820
2024	3,897
2025	4,023
2026–2030	21,925

As of June 30, 2020 and 2019, 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 \$4,516 and \$4,126, respectively, for the years ended June 30, 2020 and 2019. 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, 2019, the date of the Plan's most recently issued financial statements, the Plan had net assets available for benefits of \$11,058. The actuarial present value of estimated future benefits to plan participants who have provided services as of June 30, 2019 amounted to \$84,020 (\$674 currently payable, \$20,387 for actives fully eligible, \$29,877 for actives not fully eligible, and \$33,082 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

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

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, 2020 and 2019, \$6,849 has been advanced on the Note A. Unamortized cost of issuance at June 30, 2020 and 2019 was \$97 and \$161, 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, 2020 and 2019.

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, 2020 and 2019 includes \$632 and \$1,054, 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. On September 27, 2019, the note matured and was paid by the Library. The note had carried an interest rate of 4% per annum.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(13) Bonds Payable**

Outstanding bonds payable at June 30, 2020 and 2019 consisted of the following:

	<b>2020</b>	<b>2019</b>
Fixed rate bonds, maturing July 1, 2045 (Series 2015)	\$ 185,000	185,000
Less unamortized costs of issuance	(1,188)	(1,236)
	<b>\$ 183,812</b>	<b>183,764</b>

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, 2020 and 2019, interest expense was \$7,964.

**(14) Composition of Net Assets**

Net assets without donor restrictions at June 30, 2020 and 2019 consisted of the following:

	<b>2020</b>	<b>2019</b>
Board-designated funds functioning as endowment	\$ 453,734	461,920
Board-designated funds for capital projects	90,934	36,785
Other board-designated funds	2,928	3,859
Total	547,596	502,564
Undesignated	170,275	127,319
Net assets without donor restrictions	<b>\$ 717,871</b>	<b>629,883</b>

Board-designated funds functioning as endowment exclude conditional contributions included in deferred revenue in the accompanying balance sheet in the amount of \$29,750 as of June 30, 2020 and 2019.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

Net assets with donor restrictions at June 30, 2020 and 2019 consisted of the following:

	<b>2020</b>	<b>2019</b>
Net assets restricted for the following purposes or time periods:		
Program activities:		
Branch libraries	\$ 42,845	40,880
Research libraries	192,135	195,744
Conservation and cataloging	22,133	22,880
Exhibitions and public education programs	12,901	12,929
Other – principally, time restricted and for the general operations of the research libraries and library-wide programs	121,792	129,105
Net investment in plant not yet placed in service	127,666	79,949
Acquisition of fixed assets	21,406	17,894
Total	540,878	499,381
Net assets subject to perpetual donor restriction, support operations as follows:		
Branch libraries	37,884	36,516
Research libraries	251,846	250,877
Conservation and cataloging	21,615	21,311
Exhibitions and public education programs	15,491	15,477
Other – principally, for the general operations of the research libraries and library-wide programs	153,521	143,099
Total	480,357	467,280
Total net assets with donor restrictions	\$ 1,021,235	966,661

**(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.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(b) Collective Bargaining Agreements**

At June 30, 2020 and 2019, approximately 71% and 72%, 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 new Collective Bargaining Agreements with Local 1930 in May 2019 and Local 374 in February 2020 and is currently awaiting ratification by the membership of both locals. 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.

**(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, 2021, 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, 2021, subject to extension, and carries an interest rate at the higher of prime rate minus 1.00%, or 1.05% or LIBOR plus 0.80%, with LIBOR deemed no less than 0.25%.

**(d) Operating 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:

2021	\$	6,881
2022		6,530
2023		6,007
2024		5,231
2025		5,012
Thereafter		62,777
Total	\$	92,438

Various leases provide for annual increases in rents. Rent expense, excluding payment on the capital lease, for the years ended June 30, 2020 and 2019 was \$6,922 and \$7,328, respectively. The deferred rent obligation was \$9,167 and \$9,099, respectively, at June 30, 2020 and 2019, and is included in accounts payable and accrued liabilities in the accompanying balance sheet.



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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(e) Capital leases**

The Library's future minimum lease payments under the capital lease and the present value of the minimum lease payments in total and for each of the next five years are as follows at June 30:

2021	\$	607
2022		1,171
2023		1,244
2024		1,269
2025		1,295
Thereafter		<u>45,010</u>
Total minimum lease payments		50,596
Less amount representing interest		<u>(23,630)</u>
Present value of minimum lease payments	\$	<u><u>26,966</u></u>

**(f) Construction-Related Purchase Commitments**

The Library has entered into construction-related purchase commitments of approximately \$29,479 as of June 30, 2020.

**(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.

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

The following table presents functional expenses for the year ended June 30, 2020 and comparative totals for 2019:

	Branch library services	Research library services and library-wide programs	Total program services	Fundraising and membership development	Management and general	2020 Total	2019 Total
Salaries	\$ 80,874	40,324	121,198	4,886	14,099	140,183	140,893
Fringe benefits	36,416	17,943	54,359	2,226	6,294	62,879	60,230
Books and library materials	14,038	—	14,038	—	6	14,044	15,171
Binding and conservation expenditures	181	253	434	—	—	434	676
Office-related expenditures	900	234	1,134	41	52	1,227	2,341
Equipment rental and maintenance	2,575	544	3,119	23	89	3,231	2,737
Telecommunications	2,493	158	2,651	1	—	2,652	2,583
Building repairs, occupancy, and related expenditures	21,329	6,427	27,756	231	542	28,529	27,823
Contributed utilities and rent	7,121	2,065	9,186	—	—	9,186	9,395
Professional services	6,114	6,449	12,563	1,248	2,204	16,015	16,729
Promotional and special event expenses	219	340	559	1,093	401	2,053	1,834
Interest and accretion expense	4,685	5,034	9,719	471	2,355	12,545	12,701
Insurance expense	1,429	1,001	2,430	15	688	3,133	2,132
Other expenses	667	2,037	2,704	110	237	3,051	3,295
<b>Total operating expenses</b>	<b>179,041</b>	<b>82,809</b>	<b>261,850</b>	<b>10,345</b>	<b>26,967</b>	<b>299,162</b>	<b>298,540</b>
Additions to research collections	—	13,639	13,639	—	—	13,639	14,302
Depreciation and amortization	9,838	11,326	21,164	270	784	22,218	22,401
Net periodic benefit cost other than service cost	372	185	557	22	70	649	992
<b>Total expenses</b>	<b>\$ 189,251</b>	<b>107,959</b>	<b>297,210</b>	<b>10,637</b>	<b>27,821</b>	<b>335,668</b>	<b>336,235</b>
Total 2019 expenses	\$ 184,818	113,962	298,780	11,200	26,255		336,235

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

Notes to Financial Statements

June 30, 2020 and 2019

(In thousands of dollars)

**(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.

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 \$483,484 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, 2020 and 2019, reduced by amounts not available for operating expenditures within one year because of donor-imposed restrictions or internal designations of funds:

	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 154,993	115,263
Government and other receivables	141,643	153,632
Contributions receivables, net	49,496	47,881
Investments	1,273,413	1,300,403
Total financial assets	1,619,545	1,617,179
Less amounts unavailable for general expenditures in the next 12 months:		
Contributions and government and other receivables	(150,528)	(167,156)
Investments in pooled income fund and gift annuity funds	(6,190)	(6,208)
Endowment funds with donor restrictions	(781,925)	(789,590)
Board-designated endowment funds	(483,484)	(491,670)
Cash designated for capital	(14,598)	(5,604)
Add endowment funds appropriated for spending in FY 2021	56,534	53,589
Total financial assets available for operating expenditures in the next 12 months	\$ 239,354	210,540