



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

Financial Statements

June 30, 2021

(With Summarized Comparative Financial Information as of
and for the Year Ended June 30, 2020)

(With Independent Auditors' Report 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, 2021, 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, 2021, 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(t) to the financial statements, the Library adopted Accounting Standards Update (ASU) 2016-02 (*Topic 842*): *Leases*, on a modified retrospective basis. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The Library's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

November 9, 2021

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

Balance Sheet

June 30, 2021

(With summarized comparative financial information as of June 30, 2020)

(In thousands of dollars)

Assets	2021	2020
Cash and cash equivalents	\$ 193,887	154,993
Government and other receivables (notes 4 and 12)	109,945	141,643
Contributions receivable, net (note 5)	58,656	49,496
Other assets	11,469	8,213
Funds held by others (note 6)	10,417	4,108
Investments (notes 3 and 7)	1,599,228	1,273,413
Fixed assets, net (notes 9 and 15)	613,958	584,051
Right-of-use assets (note 18)	70,360	—
Collections		
Total assets	\$ 2,667,920	2,215,917
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 88,369	97,916
Deferred revenue (notes 5 and 12)	11,380	46,293
Note payable, net (note 12)	6,817	6,753
Financing obligation (note 9)	—	21,456
Finance lease liability (notes 9 and 18)	27,388	26,966
Bonds payable, net (note 13)	183,859	183,812
Operating lease liabilities (note 18)	79,230	—
Accrued postretirement benefits (note 11)	89,583	93,615
Total liabilities	486,626	476,811
Commitments and contingencies (notes 7, 10, 11, 12, 15, and 18)		
Net assets (note 14):		
Net assets without donor restrictions	1,032,055	717,871
Net assets with donor restrictions	1,149,239	1,021,235
Total net assets	2,181,294	1,739,106
Total liabilities and net assets	\$ 2,667,920	2,215,917

See accompanying notes to financial statements.

**THE NEW YORK PUBLIC LIBRARY, ASTOR,
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Statement of Activities

Year ended June 30, 2021

(With summarized comparative financial information for the year ended June 30, 2020)

(In thousands of dollars)

	Without donor restrictions	With donor restrictions	2021 Total	2020 Total
Operating revenues:				
City of New York	\$ 198,095	—	198,095	195,972
State of New York	19,861	—	19,861	19,533
Federal government	1,009	—	1,009	811
Contributed utilities and rent	8,480	—	8,480	9,187
Private contributions and grants	28,890	53,612	82,502	39,164
Investment return appropriated for spending (note 7)	44,398	11,812	56,210	54,453
Fines, royalties, and other revenue	3,544	84	3,628	10,475
	304,277	65,508	369,785	329,595
Net assets released from restrictions	18,285	(18,285)	—	—
Total operating revenues	322,562	47,223	369,785	329,595
Operating expenses (note 16):				
Branch library services	178,592	—	178,592	179,041
Research library services and library-wide programs	80,303	—	80,303	82,809
Total program services	258,895	—	258,895	261,850
Fundraising and membership development	9,371	—	9,371	10,345
Management and general	25,960	—	25,960	26,967
Total operating expenses	294,226	—	294,226	299,162
Additions to research collections	9,866	—	9,866	13,639
Total operating expenses and additions to research collections	304,092	—	304,092	312,801
Change in net assets from operating activities, before gain on sale of real estate	18,470	47,223	65,693	16,794
Gain on sale of real estate (note 9)	—	—	—	86,200
Change in net assets from operating activities	18,470	47,223	65,693	102,994
Nonoperating activities:				
Endowment contributions and funds designated for long-term investment, net	42,578	7,924	50,502	16,002
Net assets released from restrictions for capital and contributions receivable collected	122,886	(122,886)	—	—
Appropriations and contributions for capital	16,906	6,355	23,261	67,909
Depreciation and amortization (note 16)	(26,634)	—	(26,634)	(22,218)
Investment return, net of amounts appropriated (note 7)	121,282	189,388	310,670	(20,620)
Changes in postretirement benefits obligation other than net periodic benefit cost (note 11)	3,897	—	3,897	(856)
Net periodic benefit cost other than service cost (note 11)	(220)	—	(220)	(649)
Change in net assets from nonoperating activities	280,695	80,781	361,476	39,568
Change in net assets	299,165	128,004	427,169	142,562
Net assets at beginning of year, as adjusted (note 2)	732,890	1,021,235	1,754,125	1,596,544
Net assets at end of year	\$ 1,032,055	1,149,239	2,181,294	1,739,106

See accompanying notes to financial statements.

**THE NEW YORK PUBLIC LIBRARY, ASTOR,
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Statement of Cash Flows

Year ended June 30, 2021

(With summarized comparative financial information for the year ended June 30, 2020)

(In thousands of dollars)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 427,169	142,562
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net appreciation on investments	(371,647)	(32,364)
Depreciation and amortization	26,745	23,593
Amortization of deferred revenue	(422)	(422)
Imputed interest related to finance lease	1,080	798
Imputed interest related to financing obligation	—	2,341
Deferred rent expense	(18)	68
Postretirement benefits changes other than net periodic benefit cost	(3,897)	856
Appropriations and contributions for capital	(23,261)	(67,909)
Endowment contributions	(7,924)	(17,170)
Net impact on operating leases	(279)	—
Investment income restricted in perpetuity, net of expenses	(20,656)	(907)
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	(9,041)	(418)
Other assets	(1,972)	328
Accounts payable and accrued liabilities, except for accounts payable and accrued liabilities relating to fixed assets and deferred rent	10,236	4,561
Accrued postretirement benefits	(135)	177
Deferred revenue	(35,221)	1,781
Net cash used in operating activities	(9,243)	(28,325)
Cash flows from investing activities:		
Purchases of investments	(366,083)	(327,039)
Proceeds from sales of investments	403,654	379,650
Purchases of fixed assets	(64,262)	(104,986)
Change in accounts payable and accrued liabilities relating to fixed assets	(10,616)	(4,432)
Net cash used in investing activities	(37,307)	(56,807)
Cash flows from financing activities:		
Change in contributions receivable restricted for investment in endowment	2,876	(7,596)
Change in contributions and other receivables restricted for capital projects	28,703	18,388
Change in deferred revenue relating to endowment	(5,000)	—
Change in deferred revenue relating to capital projects	5,730	2,138
Appropriations and contributions for capital	23,261	67,909
Endowment contributions	7,924	17,170
Investment income restricted in perpetuity, net of expenses	20,656	907
Repayment of note payable	—	(475)
Issuance of financing obligation	—	21,686
Financing obligation cost of issuance	—	(1,555)
Finance lease principal payments	(658)	(430)
Net cash provided by financing activities	83,492	118,142
Net increase in cash and cash equivalents	36,942	33,010
Cash and cash equivalents at beginning of year	171,745	138,735
Cash and cash equivalents at end of year	\$ 208,687	171,745
Reconciliation to balance sheet:		
Cash and cash equivalents per above	\$ 208,687	171,745
Less amounts included in lines other than cash and cash equivalents on balance sheet:		
Funds held by others	(10,417)	(4,108)
Investments	(4,267)	(12,528)
Other assets	(116)	(116)
Cash and cash equivalents per balance sheet	\$ 193,887	154,993
Supplemental disclosures:		
Unrelated business income taxes (refunded) paid	\$ (285)	255
Interest paid	8,062	8,882
Imputed interest related to financing obligation and finance lease	1,080	3,140
Finance lease entered into	—	26,598
Deferred rent expense included in operating lease right-of-use assets	(9,149)	—
Adoption of Topic 842 (note 2(t))	15,019	—

See accompanying notes to financial statements.

**THE NEW YORK PUBLIC LIBRARY, ASTOR,
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Notes to Financial Statements

June 30, 2021 and 2020

(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 primarily 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.

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Notes to Financial Statements

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(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.

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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, 2021 and 2020, the Library recognized revenues and expenses each totaling \$6,360 and \$6,884, 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 2021 and 2020).

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, 2021 and 2020, the Library recognized revenues and expenses, each totaling \$2,120 and \$2,302, 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 \$1,438 and \$2,383, respectively, for the years ended June 30, 2021 and 2020, and are included in private contributions and grants in the accompanying statement of activities. The costs for these events totaled approximately \$191 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.

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(In thousands of dollars)

(i) Leases

The Library determines if an arrangement is a lease or a service contract at inception. Where an arrangement is a lease, the Library determines if it is an operating lease or a finance lease. Subsequently, if the arrangement is modified, the Library reevaluates the classification. At lease commencement, the Library records either a right-of-use (ROU) asset or fixed asset, for operating and finance leases, respectively, and a corresponding lease liability. ROU assets represent the Library's right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the risk-free discount rate at lease inception for operating leases. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. For finance leases, the Library used the incremental borrowing rate to calculate the present value. Finance lease expense includes two components: straight-line amortization expense over the life of the underlying asset and interest expense on the outstanding liability. Leases with a term of 12 months or less are considered short-term leases and are accounted as rent expense on a straight-line basis over the lease term.

(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.

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(In thousands of dollars)

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 (1.2% and 0.6% at June 30, 2021 and 2020, respectively), and other changes in the estimates of future benefits. The related liabilities for beneficiary payments in the amount of \$4,939 and \$5,427, respectively, at June 30, 2021 and 2020 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 \$6,046 and \$5,543, respectively, at June 30, 2021 and 2020, and are included in investments in the accompanying balance sheet.

In 2021 and 2020, 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 \$733 and \$647, respectively, at June 30, 2021 and 2020, 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 \$2,271 and \$1,726, respectively, at June 30, 2021 and 2020.

(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 finance 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 finance 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 major renovations made to properties occupied by the Library, which are typically managed directly by the City, are recorded when placed in service, whereas other capital expenditures managed by the City are not recorded by the Library. During the years ended June 30, 2021 and 2020, such unrecorded amounts were approximately \$8,349 and \$16,740, 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

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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.

(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, 2021 and 2020.

(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, and postretirement benefit obligations and related costs. 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, 2021 and 2020, 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.

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June 30, 2021 and 2020

(In thousands of dollars)

(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, 2020 from which the summarized information was derived.

(t) New Authoritative Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Topic 842 requires recognition of rights and obligations arising from lease contracts as assets and liabilities on the balance sheet. Topic 842 also requires expanded qualitative and quantitative disclosures. The Library adopted this ASU on a modified retrospective basis transition approach using the effective date method, which was July 1, 2020. The Library's ROU assets and lease liabilities for operating leases at adoption were \$76,074 and \$85,223, respectively. As part of the adoption of Topic 842, the Library reassessed a sale-leaseback transaction that was entered into on November 21, 2019 that did not meet the criteria for sale-leaseback accounting in accordance with Topic 840, *Leases*. However, pursuant to Topic 842, the sale met the criteria for sale-leaseback accounting upon adoption of the new ASU and a gain on the sale of \$15,019 was recorded through an adjustment to beginning of year net assets.

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2021 Total</u>
Net assets as of June 30, 2020, as previously reported	\$ 717,871	1,021,235	1,739,106
Adoption of Leases (Topic 842)	<u>15,019</u>	<u>—</u>	<u>15,019</u>
Net assets as of July 1, 2020, as adjusted	\$ <u><u>732,890</u></u>	<u><u>1,021,235</u></u>	<u><u>1,754,125</u></u>

(u) Subsequent Events

In conjunction with the preparation of the financial statements, the Library evaluated subsequent events from July 1, 2020 through November 9, 2021, the date on which the financial statements were issued, and has concluded that no further disclosures are required, except as follows.

On September 3, 2021, the Library entered into a Purchase and Sale Agreement for its remaining six units of a condominium building for \$38,000, before closing fees of \$1,043. 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 sold property for an 18-month lease term. Per the terms of the lease agreement, the Library is responsible for payment of monthly common charges assessed by the condominium against the six units.

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(In thousands of dollars)

(v) COVID-19

The COVID-19 pandemic continues to cause significant volatility and uncertainty in U.S. and international markets. After temporarily closing Library locations on March 14, 2020, the Library enhanced a wide variety of virtual services for patrons. On July 15, 2020, the Library began a gradual and phased return of limited services to its physical locations. On July 6, 2021, the Library entered the last phase of reopening, which included restoration of remaining services at all available Library locations. Although the extent of the impact of COVID-19 on the Library's financial and operational performance cannot yet be determined, the Library continues to consider the effect of COVID-19 in its budget planning and does not anticipate any adverse consequences that would be material to the accompanying financial statements.

(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 categorizes 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.

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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, 2021 and 2020:

	2021		
	Measured at NAV	Level 1	Total
Managed accounts:			
Short-term investments	\$ —	73,222	73,222
Domestic common stocks	—	128,308	128,308
Commingled investment funds:			
Domestic equity funds	291,088	2,527	293,615
Global/international equity funds	625,504	1,812	627,316
Fixed-income funds	—	1,872	1,872
Hedge funds:			
Single-strategy equity funds	42	—	42
Multistrategy funds	337,624	—	337,624
Private market funds:			
Venture capital	4,616	—	4,616
Private equity	114,580	—	114,580
Real estate	18,033	—	18,033
	<u>\$ 1,391,487</u>	<u>207,741</u>	<u>1,599,228</u>

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	2020		
	Measured at NAV	Level 1	Total
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>

(4) Government and Other Receivables

At June 30, 2021 and 2020, government and other receivables consisted of the following:

	2021	2020
City of New York – construction	\$ 81,304	106,712
City of New York – other	12,741	14,471
State of New York	7,508	6,916
Other (note 12)	8,392	13,544
Total	<u>\$ 109,945</u>	<u>141,643</u>

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

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(5) Contributions Receivable

Contributions receivable at June 30, 2021 and 2020 are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Amounts expected to be collected in:		
Less than one year	\$ 19,569	23,222
One to five years	34,907	23,544
More than five years	<u>5,703</u>	<u>4,496</u>
	60,179	51,262
Less discount to present value (at rates ranging from .79% to 4.96%)	<u>(1,523)</u>	<u>(1,766)</u>
	<u>\$ 58,656</u>	<u>49,496</u>

At June 30, 2021 and 2020, approximately 32% and 47%, respectively, of gross contributions receivable is due from two donors.

As of June 30, 2021 and 2020, the Library has received conditional contributions of \$11,170 and \$67,174, 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 \$5,000 and \$40,542, as of June 30, 2021 and 2020, respectively, in advance of satisfying donor-imposed conditions that have been reported as deferred revenue.

(6) Funds Held by Others

At June 30, 2021 and 2020, funds held by others consist of cash held for debt service and cost of issuance under the Series 2015 bond agreement (note 13), amounts advanced under the New Markets Tax Credit (NMTC) financing transaction (note 12) not yet drawn by the Library, and cash held in escrow under a Development Agreement for the fit-out of a library branch, not yet drawn. Funds held by others at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Debt service fund	\$ 3,982	3,982
Cost of issuance fund	22	22
New markets tax credit funds	60	104
Escrow funds	<u>6,353</u>	<u>—</u>
Total	<u>\$ 10,417</u>	<u>4,108</u>

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

(7) Investments

The components of the Library's investments at June 30, 2021 and 2020 were as follows:

	Fair value	
	2021	2020
Managed accounts	\$ 201,530	263,504
Commingled investment funds	922,803	664,073
Hedge funds	337,666	266,889
Private market funds	137,229	78,947
Total	\$ 1,599,228	1,273,413

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, 2021, \$161,393 of the Library's commingled investment funds are within a specified lock-up period ranging from 2 to 4 years. For the remaining \$761,410 of commingled investment funds at June 30, 2021, 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, 2021, the Library had one commingled investment fund with an unfunded commitment of \$22,814.

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

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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 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, 2021, \$27,916 of the Library's hedge fund portfolio is subject to a lock-up period of one year (one investment is in a private equity structure with a longer term). For the remaining \$309,750 of hedge fund investments at June 30, 2021, 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, 2021, the Library had total unfunded commitments to hedge funds of \$39,560.

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 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, 2021, the Library had \$126,296 in unfunded commitments to private market funds. Additionally, at June 30, 2021, the Library's investments in these partnerships had remaining lives ranging from less than 1 year to 14 years, with an average of 7 years assuming all of the potential extension periods are granted at expiration.

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The following table summarizes the Library's investment return in the accompanying statements of activities for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment return, net	\$ 366,880	33,833
Investment return appropriated for spending	<u>(56,210)</u>	<u>(54,453)</u>
Investment return reported as nonoperating	<u>\$ 310,670</u>	<u>(20,620)</u>

(8) Endowment Funds

The Library's endowment consists of 433 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

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- 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, 2021 and 2020, the aggregate fair values of two and four donor-restricted endowment funds of \$188 and \$48,610, respectively, were lower than their aggregate book value of \$246 and \$50,007, respectively, (i.e., underwater) by a total of \$58 and \$1,397, respectively.

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 12 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) consisted of the following at June 30, 2021:

		With donor restrictions			Total
		Without donor restrictions	Purpose and/or time	Perpetual	
Donor-restricted funds	\$	—	458,245	495,322	953,567
Board-designated funds functioning as endowment		616,357	22,904	—	639,261
Total	\$	616,357	481,149	495,322	1,592,828

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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		
			Purpose and/or time	Perpetual	Total
Donor-restricted funds	\$	—	294,038	469,406	763,444
Board-designated funds functioning as endowment		483,484	18,481	—	501,965
Total	\$	<u>483,484</u>	<u>312,519</u>	<u>469,406</u>	<u>1,265,409</u>

Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020 were as follows:

		Without donor restrictions	With donor restrictions		
			Purpose and/or time	Perpetual	Total
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
Investment return, net		164,452	180,433	20,656	365,541
Contributions and other additions		12,750	—	5,260	18,010
Appropriated for spending		(44,329)	(11,803)	—	(56,132)
Net assets at June 30, 2021	\$	<u>616,357</u>	<u>481,149</u>	<u>495,322</u>	<u>1,592,828</u>

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(9) Fixed Assets

Fixed asset balances at June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Land (a)	\$ 4,193	4,193
Buildings and improvements	836,273	657,357
Leasehold improvements	56,190	48,723
Furniture and equipment	73,864	65,485
Leased property under finance lease (b)	26,598	26,598
Construction in progress	67,188	206,756
	<u>1,064,306</u>	<u>1,009,112</u>
Less accumulated depreciation and amortization	<u>(450,348)</u>	<u>(425,061)</u>
	<u>\$ 613,958</u>	<u>584,051</u>

(a) Land amounts reported above include board-designated real estate used in operations of \$1,084 at June 30, 2021 and 2020.

(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 finance lease and is being amortized on a straight-line basis over 32 years. The interest rate at which the finance lease obligation is discounted is 3.98%.

On December 23, 2016, the Library entered into a Purchase and Sale Agreement for the sale of its 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 was responsible for payment of (a) the monthly common charges

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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 government authorities due with respect to each unit.

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. For the year ended June 30, 2020, interest expense was imputed at an effective rate of 3.31% and amortized over the one-year period, and closing costs were treated as debt issuance costs reported as a reduction to the obligation and amortized over the one-year period. As described in note 2(t), as part of the adoption of ASU No. 2016-02, *Leases* (Topic 842), on July 1, 2020, the Library reassessed the sale-leaseback that was entered into on November 21, 2019 and determined that the sale met the criteria for sale-leaseback accounting.

The changes in the financing obligation for the fiscal years ended June 30, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Financing obligation at beginning of year, unadjusted	\$ 21,456	102,364
Adoption of Leases (Topic 842)	<u>(21,456)</u>	<u>—</u>
Financing obligation at beginning of year, adjusted	—	102,364
Proceeds received at closing	—	21,686
Costs of issuance	—	(1,555)
Imputed interest expense	—	2,341
Amortization of costs of issuance	—	1,263
Recognition of sale	<u>—</u>	<u>(104,643)</u>
Financing obligation at end of year	<u>\$ —</u>	<u>21,456</u>

(10) Pensions and Postemployment Benefits

Most 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 \$16,705 and \$16,120, respectively, for the years ended June 30, 2021 and 2020. There have been no significant changes that affect the comparability of fiscal year 2021 and 2020 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, 2021 and 2020. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2021 and 2020. 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.

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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 \$1,240 and \$1,180, respectively, for the years ended June 30, 2021 and 2020.

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 \$4,236 and \$4,325, respectively, at June 30, 2021 and 2020, 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 \$356 and \$267, respectively, for the year ended June 30, 2021 and \$381 and \$554, respectively, for the year ended June 30, 2020.

(11) Postretirement Benefits Other than Pensions

In addition to providing access to pension benefits, the Library provides certain postretirement health and supplemental benefits to certain of 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.

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The following table sets forth the changes in the postretirement benefit obligation as of and for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Accumulated postretirement obligation at beginning of year	\$ 93,615	92,582
Service cost	2,973	2,762
Interest cost	2,433	2,931
Amendments	—	(6,424)
Participant contributions	414	318
Actuarial net (gain) loss	(6,110)	4,999
Benefits paid	(6,960)	(6,624)
City funding offset	<u>3,218</u>	<u>3,071</u>
Accumulated postretirement obligation at end of year	<u>89,583</u>	<u>93,615</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	3,328	3,235
Participant contributions	414	318
Benefits paid	(6,960)	(6,624)
City funding offset	<u>3,218</u>	<u>3,071</u>
Fair value of plan assets at end of year	<u>—</u>	<u>—</u>
Accrued postretirement benefits as reflected in the balance sheet	\$ <u><u>89,583</u></u>	<u><u>93,615</u></u>

The accrued postretirement benefit obligation of \$89,583 and \$93,615, respectively, as of June 30, 2021 and 2020, is net of the present value of future City funding offset of \$139,184 and \$141,912, respectively.

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Net periodic postretirement benefit cost for the years ended June 30, 2021 and 2020 includes the following components:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 2,973	2,762
Interest cost	2,433	2,931
Net amortization and deferral	<u>(2,213)</u>	<u>(2,282)</u>
Net periodic postretirement benefit cost	<u>\$ 3,193</u>	<u>3,411</u>
Weighted average assumptions used to determine benefit obligations – discount rate	2.75 %	2.65 %
Weighted average assumptions used to determine net periodic benefit cost – discount rate	2.65 %	3.50% as of June 30, 2019 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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Net loss	\$ 39,680	48,740
Prior service credit	<u>(23,897)</u>	<u>(29,060)</u>
Total	<u>\$ 15,783</u>	<u>19,680</u>

The expected amortization to be included in net periodic postretirement benefit cost for fiscal year 2022 is \$2,129 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, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Net (gain) loss	\$ (6,110)	4,999
Prior service credit (cost)	5,163	(1,546)
Amortization of net loss	<u>(2,950)</u>	<u>(2,597)</u>
Total	<u>\$ (3,897)</u>	<u>856</u>

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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 6.0% 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, 2021:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost components	\$ 1,362	(1,003)
Effect on the postretirement benefit obligation	16,066	(12,462)

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

	<u>Net benefit payments</u>
Fiscal year(s) ending:	
2022	\$ 3,271
2023	3,538
2024	3,662
2025	3,788
2026	3,894
2027–2031	21,904

As of June 30, 2021 and 2020, 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 \$4,456 and \$4,516, respectively, for the years ended June 30, 2021 and 2020. 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, 2020, the date of the Plan's most recently issued financial statements, the Plan had net assets available for benefits of \$12,841. The actuarial present value of estimated future benefits to plan participants who have provided services as of June 30, 2020 amounted to \$99,292 (\$748 currently payable, \$23,990 for actives fully eligible, \$39,102 for actives not fully eligible, and \$35,452 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

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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) Note 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, 2021 and 2020, \$6,849 has been advanced on the Note A. Unamortized cost of issuance at June 30, 2021 and 2020 was \$32 and \$97, 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, 2021 and 2020.

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, 2021 and 2020 includes \$211 and \$632, respectively, of funds received on Note B in excess of revenue earned.

(13) Bonds Payable

Outstanding bonds payable at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Fixed rate bonds, maturing July 1, 2045 (Series 2015)	\$ 185,000	185,000
Less unamortized costs of issuance	<u>(1,141)</u>	<u>(1,188)</u>
	<u>\$ 183,859</u>	<u>183,812</u>

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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, 2021 and 2020, interest expense was \$7,964.

(14) Composition of Net Assets

Net assets without donor restrictions at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Board-designated funds functioning as endowment	\$ 616,357	453,734
Board-designated funds for capital projects	98,064	90,934
Other board-designated funds	<u>4,006</u>	<u>2,928</u>
Total	718,427	547,596
Undesignated	<u>313,628</u>	<u>170,275</u>
Net assets without donor restrictions	<u>\$ 1,032,055</u>	<u>717,871</u>

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.

As described in note 2(t), beginning net assets without donor restrictions were adjusted by \$15,019 as part of the adoption of *Leases* (Topic 842) on July 1, 2020.

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Net assets with donor restrictions at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Net assets restricted for the following purposes or time periods:		
Program activities:		
Branch libraries	\$ 79,987	42,845
Research libraries	288,663	192,135
Conservation and cataloging	30,919	22,133
Exhibitions and public education programs	19,334	12,901
Other – principally, time restricted and for the general operations of the research libraries and library-wide programs	188,664	121,792
Net investment in plant not yet placed in service	12,402	127,666
Acquisition of fixed assets	20,328	21,406
Total	<u>640,297</u>	<u>540,878</u>
Net assets subject to perpetual donor restriction, support operations as follows:		
Branch libraries	46,381	37,884
Research libraries	268,205	251,846
Conservation and cataloging	23,574	21,615
Exhibitions and public education programs	15,726	15,491
Other – principally, for the general operations of the research libraries and library-wide programs	155,056	153,521
Total	<u>508,942</u>	<u>480,357</u>
Total net assets with donor restrictions	<u>\$ 1,149,239</u>	<u>1,021,235</u>

(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, 2021 and 2020, approximately 72% and 71%, 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). The Library concluded negotiations of new Collective Bargaining Agreements with Local 1930 in May 2019, and with Local

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374 in February 2020. Both were ratified by their respective members. The Library has adopted applicable provisions of the Economic Agreement between the City of New York and District Council 37. The Agreement is effective from September 26, 2017 through May 25, 2021. Given the fact that the Mayor is concluding his last term in office and the City of New York, and District Council 37 will not commence negotiations until a new Mayor is elected, the Collective Bargaining Agreements between The New York Public Library and Local 1930 and Local 374 have been mutually extended through May 25, 2022.

(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, 2022, subject to extension, and carries an interest rate equal to (i) the higher of prime rate minus 1.00%, or 0.90%, or (ii) LIBOR plus 0.65%, with LIBOR deemed no less than 0.25%, as the Library elects. 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 29, 2022, subject to extension, and carries an interest rate equal to (i) the higher of prime rate minus 1.00%, or 0.65%, or (ii) Bloomberg Short-Term Bank Yield Index (BSBY) plus 0.65%.

(d) Construction-Related Purchase Commitments

The Library has entered into construction-related purchase commitments of approximately \$40,591 as of June 30, 2021.

(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.

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The following table presents functional expenses for the year ended June 30, 2021 and comparative totals for 2020:

	Branch library services	Research library services and library-wide programs	Total program services	Fundraising and membership development	Management and general	2021 Total	2020 Total
Salaries	\$ 79,663	38,764	118,427	5,066	13,862	137,355	140,183
Fringe benefits	35,879	17,371	53,250	2,060	6,326	61,636	62,879
Books and library materials	14,135	—	14,135	—	1	14,136	14,044
Binding and conservation expenditures	29	251	280	—	—	280	434
Office-related expenditures	646	210	856	49	42	947	1,227
Equipment rental and maintenance	2,984	590	3,574	18	380	3,972	3,231
Telecommunications	1,921	482	2,403	—	—	2,403	2,652
Building repairs, occupancy, and related expenditures	23,319	6,077	29,396	126	1,933	31,455	28,529
Contributed utilities and rent	6,555	1,925	8,480	—	—	8,480	9,186
Professional services	7,848	7,141	14,989	1,031	2,281	18,301	16,015
Promotional and special event expenses	358	151	509	604	165	1,278	2,053
Interest and accretion expense	3,271	4,551	7,822	365	1,038	9,225	12,545
Insurance expense	1,533	1,348	2,881	15	132	3,028	3,133
Other expenses	451	1,442	1,893	37	(200)	1,730	3,051
Total operating expenses	178,592	80,303	258,895	9,371	25,960	294,226	299,162
Additions to research collections	—	9,866	9,866	—	—	9,866	13,639
Depreciation and amortization	14,508	11,396	25,904	165	565	26,634	22,218
Net periodic benefit cost other than service cost	127	62	189	8	23	220	649
Total expenses	\$ 193,227	101,627	294,854	9,544	26,548	330,946	335,668
Total 2020 expenses	\$ 189,251	107,959	297,210	10,637	27,821		335,668

(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 \$616,357 from which it appropriates amount for spending annually as described in note 8. Although the Library does not intend to spend from this board-designated

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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, 2021 and 2020, reduced by amounts not available for operating expenditures within one year because of donor-imposed restrictions or internal designations of funds:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 193,887	154,993
Government and other receivables	109,945	141,643
Contributions receivables, net	58,656	49,496
Investments	<u>1,599,228</u>	<u>1,273,413</u>
Total financial assets	1,961,716	1,619,545
Less amounts unavailable for general expenditures in the next 12 months:		
Contributions and government and other receivables	(128,505)	(150,528)
Investments in pooled income fund and gift annuity funds	(6,779)	(6,190)
Endowment funds with donor restrictions	(976,471)	(781,925)
Board-designated endowment funds	(616,357)	(483,484)
Cash designated for capital	(2,091)	(14,598)
Add endowment funds appropriated for spending	<u>60,016</u>	<u>56,534</u>
Total financial assets available for operating expenditures in the next 12 months	<u>\$ 291,529</u>	<u>239,354</u>

(18) Leases

As noted in note 2(t), the Library adopted ASU No. 2016-02, *Leases* (Topic 842), effective July 1, 2020 using the modified retrospective transition approach and the effective date method. Accordingly, the comparative information as of June 30, 2020 has not been adjusted and continues to be reported under the previous lease standard. Under the new lease standard, right-of-use assets and operating lease liabilities that arise from all leases are required to be recognized on the balance sheet for lessees. Previously, only capital leases, which are now referred to as finance leases, were recorded on the balance sheet. The Library elected the package of practical expedients under the new standard, which permits entities to not reassess lease classifications, lease identifications or initial direct costs for existing or expired leases prior to the effective date. The Library did not elect the hindsight practical expedient. The Library also elected the practical expedient to utilize the risk-free rate for all operating leases. The Library elected the practical expedient to account for nonlease components and the lease components to which they relate as a single component for all operating leases. Variable lease payments are excluded for purposes of calculating the operating ROU assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments.

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The Library is a lessee for numerous operating leases, primarily related to real estate and one finance lease related to real estate. The vast majority of the Library's operating leases have remaining lease terms of 15 years or less. The Library generally does not include renewal or termination options in the assessment of the leases unless extension or termination for certain leases is deemed to be reasonably certain. The accounting for some of the leases may require judgment, which includes determining whether a contract contains a lease, determining the discount rate using the risk-free discount rate and the incremental borrowing rate for operating leases and finance lease, respectively, to utilize in the net present value calculation of lease payments for lease agreements which do not provide an implicit rate, and assessing the likelihood of renewal or termination options.

For the year ended June 30, 2020, rent expense under the previous lease standard was \$6,922.

For the year ended June 30, 2021, lease costs were as follows:

	<u>2021</u>
Operating lease cost	\$ 7,180
Finance lease cost:	
Amortization of right-of-use asset	832
Interest on lease liabilities	1,080
Short-term lease cost	1,416
Variable lease payments	<u>180</u>
Total lease cost	<u>\$ 10,688</u>
Other information:	
Operating cash flows for operating leases	6,881
Weighted average remaining lease term:	
Operating leases	16 years
Finance lease	30 years
Weighted average discount rate:	
Operating leases	0.99 %
Finance lease	3.98 %

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The table below presents a maturity analysis of lease liabilities and a reconciliation of the total amount of such liabilities recognized in the balance sheet at June 30, 2021:

	<u>Operating</u>	<u>Finance</u>
2022	\$ 6,478	1,120
2023	6,244	1,244
2024	5,389	1,269
2025	5,169	1,295
2026	5,134	1,321
Thereafter	<u>58,381</u>	<u>43,690</u>
Total minimum lease payments	86,795	49,939
Less discount for net present value	<u>(7,565)</u>	<u>(22,551)</u>
Present value of minimum lease payments	<u><u>\$ 79,230</u></u>	<u><u>27,388</u></u>