



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, DECEMBER 9, 2020  
REMOTELY VIA ZOOM MEETING**

**ATTENDANCE**

<b>Chair</b>	Michael Spitzer
<b>Private Members</b>	Larian Angelo Mark Kaplan Bud Larson
<b>Public Members</b>	<b>Representing the Mayor</b> – Raymond Lee <b>Representing the Comptroller</b> – Jacqueline Thompson <b>Representing the Public Advocate</b> – Michael Twomey
<b>Secretary</b>	Katrina Stauffer
<b>Independent Auditors</b>	<b>Grant Thornton LLP</b> – Marla Hummel, Nicholas Lazzaruolo, Michael Ryan <b>BDO LLP</b> – Ritesh Lall, Jeremy Meisel <b>EisnerAmper LLP</b> – Candice Meth, Eldean Wilson
<b>Others</b>	<b>Brooklyn Public Library</b> – Karen Sheehan <b>Queens Borough Public Library and Affiliate</b> – Vishnu Dawah, Michael Tragale <b>New York City Mayor’s Office of Operations</b> – Florim Ardolli <b>New York City Office of Management and Budget</b> – Enid Ellis, Gail Tang <b>New York City Comptroller’s Office</b> – Angelyne Acevedo, Camille Arezzo, Giovanne Quezada, Jessica Sanchez, Joan Stapleton, Susanna Tregor <b>New York City Financial Information Services Agency</b> – Shamin Kabir, Neil Matthew, Peter Reddy

## Audit Committee Meeting – December 9, 2020

### **I. Call to Order and Roll Call**

Mr. Michael Spitzer, the Audit Committee Chairman, called the Audit Committee Meeting to order at 11:00 a.m. Ms. Katrina Stauffer, the Audit Committee Secretary, took roll call; a quorum was present.

### **II. Motion to Accept Draft Minutes of the Audit Committee Meeting held November 24, 2020**

The first agenda item was the approval of the draft minutes of the November 24, 2020 Audit Committee Meeting. Chairman Spitzer inquired if there were any comments on the draft minutes as presented. Subject to any non-substantive editorial comments submitted to Ms. Stauffer, the Committee approved the draft minutes of the November 24, 2020 Audit Committee Meeting.

### **III. Presentation of the Financial Statements and Management Letters**

The next agenda item was the review of the financial statements and management letters (where applicable) of the following entities for the fiscal year ended June 30, 2020.

- Brooklyn Public Library
- The Queens Borough Public Library and Affiliate

**Brooklyn Public Library**

Ms. Karen Sheehan, Executive Vice President for Finance and Administration at the Brooklyn Public Library (BPL), introduced herself and the representatives of EisnerAmper LLP, BPL's independent auditors.

BPL noted that the library was closed for much of the spring due to the COVID-19 pandemic. The library functioned virtually during this period, maximizing digital and virtual offerings and significantly expanding its digital collection. During Fiscal Year 2020, BPL's circulation, including print and electronic media, totaled over 8.7 million items. The library had 8.6 million visits to its website and responded to 4.2 million electronic reference inquiries.

BPL hosted one million computer sessions in Fiscal Year 2020. The library provided nearly 1.3 million Wi-Fi sessions during the period when its buildings were closed.

BPL also hosted 50,000 in-person and virtual programs for almost 1.2 million attendees. Prior to closure in the spring, the library logged a total of 5.3 million visits.

BPL has significant deferred maintenance needs, which were addressed by partnering with the City to undertake major renovations as self-managed projects. The first of these was a \$23 million renovation of the Greenpoint Library branch, completed in the fall. A \$38 million renovation to the Central Library is nearing completion. The Brooklyn Heights and Sunset Park Libraries are next on the agenda, with both set for redevelopment as mixed-use facilities.

BPL's auditors issued an unmodified opinion of financial statement for the year ending June 30, 2020.

As of June 30, 2020, BPL had total assets of \$174.4 million, an increase of approximately \$23.3 million from Fiscal Year 2019. The year-end balance of cash and cash equivalents increased by \$12.4 million over 2019 due to a refund in operating cash at the closing of the library's TD Bank line of credit. Restricted cash in segregated accounts increased by \$14.3 million from Fiscal Year 2019 due to the maturity of corporate bonds timed to meet the construction schedule of the Brooklyn Heights and Sunset Park branches.

Receivables increased by \$4.9 million from Fiscal Year 2019, primarily due to a \$1.9 million increase in uncollected receivables from the City capital pass-through grants, a \$1.9 million increase in receivables due from the Coronavirus Aid, Relief, and Economic Security (CARES) Act employee retention credit, and \$900,000 from the State of New York.

Investments decreased by \$21.1 million from Fiscal Year 2019, primarily due to the maturation of the aforementioned corporate bonds, along with a \$1.6 million decrease in market value of the library's portfolio due to market conditions.

Property and equipment increased by approximately \$13 million over 2019, primarily due to the cost of various construction-related projects. Accounts payable and accrued expenses increased by \$5.1 million because of the timing of year-end invoices, including construction-related bills for Greenpoint and the Central Library.

Net borrowing from the TD Bank line of credit was approximately \$4.4 million. Accrued wages and related liability increased by \$6.4 million from Fiscal Year 2019, in large part because of a \$2.6 million increase in the library's terminal leave obligations and a \$1.7 million increase in accrued vacation value. Total net assets increased by \$3.8 million over 2019.

Total operating revenues in Fiscal Year 2020 were \$185.7 million, increased from Fiscal Year 2019 revenues of \$179.7 million. This increase stems primarily from the \$6.2 million increase in City of New York appropriations; this additional funding was related to operations, health insurance, and collective bargaining settlements.

Federal revenue decreased by approximately \$250,000 from the prior year, due to the COVID-related closure. Total operating contributions decreased by \$1.2 million from the prior year due to the nonrecurrence of the 2019 Stavros Niarchos Foundation contribution. Total operating expenses increased by \$4.2 million from Fiscal Year 2019, mainly stemming from a \$5.1 million increase in salaries and related expenses. Professional fees were down approximately \$1 million from 2019, but books and materials spending increased by \$1.8 million.

Non-operating activities in Fiscal Year 2020 included \$20 million in grants and contributions for BPL's capital program (\$2.3 million from the National Fish and Wildlife Foundation for the Greenpoint Library and \$18 million from the New York City Capital Grant program for the Greenpoint and Central Library projects). Investment income not used for operations returned a shortfall of approximately \$1 million.

A question-and-answer session took place after the presentation. Several matters were discussed, including:

- The potential impact of COVID-19 in Fiscal Year 2021 may include the loss of revenue from fines and fees since the library has suspended its collection since closure, which will have an impact of around \$800,000. Further, the BPL also receives close to \$1 million in revenue per year through its operation of three passport offices whose operation has been suspended since the spring.

- Regarding the possible impact of COVID-19 on expenses, BPL was fortunate to have technology largely already in place to facilitate the transition to working remotely, allowing the library to avoid significant expenses. Primary expenses have been for personal protective equipment (PPE) and extra cleaning supplies, along with safety modifications such as the addition of plexiglass barriers.
- Full staff has been maintained throughout the closure thus far, with the exception of the passport staff, who were furloughed. Part-time staff have also been receiving fewer hours than previously.
- BPL noted that the self-managed model it has been using for capital projects such as Greenpoint and Central Library represents a good model for certain select projects.
- BPL is working with the Department of Public Health to support the COVID test-and-trace groups. The library has received a 2021 grant to serve as test-and-trace ambassadors.
- BPL will examine what percentage of money is raised through fundraising.
- No material weaknesses were identified in BPL's management letter.

There being no further questions, Chairman Spitzer thanked the representatives of the BPL for their participation at today's meeting.

### **Queens Borough Public Library and Affiliate**

Mr. Michael Tragale, Chief Financial Officer and Senior Vice President of the Queens Borough Public Library and Affiliate (Queens Library) introduced the other representative of Queens Library and the representatives of BDO LLP, Queens Library's independent auditors.

Queens Library, which is comparable in size to BPL, has experienced many of the same issues as a result of the COVID-19 pandemic.

Queens Library increased its collections budget by \$2.9 million, driving much of the increase in e-catalog materials. Long-term investments increased by \$4.9 million year-over-year.

For the second year in a row, the library's external auditors did not issue a management recommendation letter. The library also eliminated its line of credit requirement for the first time since Fiscal Year 2011.

The library sold the Mitchell-Linden branch to the City, resulting in a \$1.1 million net gain.

Despite being closed for the last quarter of the fiscal year, the library had no delay in meeting its financial audit roll-up deadline.

The library wrote off \$7.7 million of old New York City receivables.

Staff were permitted to carry over some time due to COVID-19, creating an increase in the compensated absence liability. Also due to the COVID-19 closure, many agencies allowed the library to carry over program revenue, resulting in a \$1.5 million increase in deferred revenue.

Regarding PPE expenditures, more than \$400,000 was spent in Fiscal Year 2020. Close to \$2 million has been budgeted for PPE in Fiscal Year 2021; approximately \$900,000 of that has been spent to date.\* These expenditures included cleaning supplies, masks, and the addition of plexiglass partitions.

[\*Queens Library provided updated PPE-related expenditure information subsequent to the December meeting.]

A number of Queens Library branches have been used as testing sites, including Ozone Park, Windsor Park, Kew Garden Hills, and Lefferts.

Statistics for Fiscal Year 2020 include nearly 1.5 million card holders, 1.8 million computer sessions, 7.4 million in-person visits, 58,000 programs attended by over 1.1 million people, 6,522 public access computers, over 500,000 in wireless use, 8.3 million in circulation, 4.6 million items in the library's physical collection, and 140,000 items in the digital collection at the end of Fiscal Year 2020.

Queens Library independent auditors issued an unmodified opinion on the library's financial statements for the second year in a row. No material weaknesses were noted in connection with the audit.

A question-and-answer session took place after the presentation. Several matters were discussed, including:

- Queens Library noted that there is no depreciation listed for the contributed facilities of \$28 million because the City, not the library, owns these facilities.
- Regarding OPEB, both BPL and the Queens Library will continue to work with the Comptroller's Office and Actuary's Office to examine the matter further.
- The fixed assets owned by the Queens Library are being depreciated. The repairs and maintenance on those assets is managed by the respective libraries. Repair and maintenance on fixed assets is not a material amount; it is expensed as it is paid.
- The financial statement describes a modified version of uniform prudent management institutional funds because it governs how the endowment operates. It is included as background information.

- The Queens Library is not pursuing loans under the paycheck protection program. The library would consider the loans if it experienced a dramatic budget reduction.
- Regarding borrowings under the line of credit, the lien relates only to the investment portion, not all of the assets of the library in the line of credit.
- Queens Library has an audit committee.

There being no further questions, Chairman Spitzer thanked the representatives of the Queens Library for their participation at today's meeting.

#### **IV. Executive Session**

There being no further business for the public session, Chairman Spitzer asked for a motion to enter into Executive Session. A motion was made to go into Executive Session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

#### **V. Adjournment**

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the December 9, 2020 Audit Committee Meeting; the motion was unanimously approved.