



# **BROOKLYN PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 and 2012**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Brooklyn Public Library  
Brooklyn, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Brooklyn Public Library (the "Library"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Library's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Brooklyn Public Library as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York  
December 9, 2013

# BROOKLYN PUBLIC LIBRARY

## Statements of Financial Position (in thousands)

	June 30,	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,006	\$ 32,043
Receivables, net	7,538	7,074
Investments	28,987	33,442
Due from broker	32,512	
Property and equipment, net	25,132	18,987
Other assets	<u>100</u>	<u>171</u>
	<u>\$ 127,275</u>	<u>\$ 91,717</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable, accrued expenses and advances	\$ 6,736	\$ 7,472
Accrued wages and related liabilities	10,734	11,698
Due to broker	24,744	
Loan payable	995	
Deferred revenue	<u>19,161</u>	<u>21,529</u>
Total liabilities	<u>62,370</u>	<u>40,699</u>
Commitments and contingencies (Note L)		
Net assets:		
Unrestricted:		
Corporate	51,807	36,886
Board-designated for use in next fiscal year	<u>5,939</u>	<u>5,939</u>
Total unrestricted	57,746	42,825
Temporarily restricted	4,656	5,695
Permanently restricted	<u>2,503</u>	<u>2,498</u>
Total net assets	<u>64,905</u>	<u>51,018</u>
	<u>\$ 127,275</u>	<u>\$ 91,717</u>

# BROOKLYN PUBLIC LIBRARY

## Statements of Activities (in thousands)

	Year Ended June 30, 2013			Year Ended June 30, 2012				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating support and revenues:</b>								
City of New York	\$ 85,705			\$ 85,705	\$ 86,081			\$ 86,081
State of New York	6,763			6,763	6,830			6,830
Federal government	2,114			2,114	2,071			2,071
Contribution income	1,086	\$ 1,828		2,914	660	\$ 2,954		3,614
Purchase discount reimbursement contribution	1,098			1,098	1,268			1,268
Contributed facilities and utilities	32,722			32,722	32,319			32,319
Net investment income	1,277	123		1,400	1,281	119		1,400
Contributed goods and services	319			319	299			299
Special events, net of direct benefit to donors of \$75 and \$54 in 2013 and 2012, respectively	392			392	381			381
Fines, royalties and other revenue	2,829			2,829	2,780			2,780
	<u>134,305</u>	<u>1,951</u>		<u>136,256</u>	<u>133,970</u>	<u>3,073</u>		<u>137,043</u>
Net assets released from restrictions for operations	2,373	(2,373)		0	1,375	(1,375)		0
Total operating revenues and support	<u>136,678</u>	<u>(422)</u>		<u>136,256</u>	<u>135,345</u>	<u>1,698</u>		<u>137,043</u>
<b>Operating expenses:</b>								
Program services:								
Central library	29,163			29,163	29,992			29,992
Neighborhood libraries	87,136			87,136	90,029			90,029
Special programs	7,425			7,425	7,661			7,661
Total program services	<u>123,724</u>			<u>123,724</u>	<u>127,682</u>			<u>127,682</u>
Supporting services:								
Management and general	5,463			5,463	4,671			4,671
Fund-raising	1,629			1,629	1,268			1,268
Total support services	<u>7,092</u>			<u>7,092</u>	<u>5,939</u>			<u>5,939</u>
Total operating expenses	<u>130,816</u>			<u>130,816</u>	<u>133,621</u>			<u>133,621</u>
Change in net assets from operating activities	<u>5,862</u>	<u>(422)</u>		<u>5,440</u>	<u>1,724</u>	<u>1,698</u>		<u>3,422</u>
<b>Non-operating activities:</b>								
Grants and contributions	3,178	867		4,045	2,032			2,032
Permanently restricted contributions			\$ 5	5			\$ 7	7
Insurance proceeds	3,185			3,185				
Loss on disposal of fixed assets	(13)			(13)				
Depreciation	(1,630)			(1,630)	(1,487)			(1,487)
Investment gains (losses) not designated for current operations	2,594	261		2,855	(1,815)	(172)		(1,987)
Net assets released from restrictions for capital expenditures	1,745	(1,745)		0	1,024	(1,024)		0
Change in net assets from non-operating activities	<u>9,059</u>	<u>(617)</u>	<u>5</u>	<u>8,447</u>	<u>(246)</u>	<u>(1,196)</u>	<u>7</u>	<u>(1,435)</u>
<b>Change in net assets</b>	<u>14,921</u>	<u>(1,039)</u>	<u>5</u>	<u>13,887</u>	<u>1,478</u>	<u>502</u>	<u>7</u>	<u>1,987</u>
Net assets - July 1	<u>42,825</u>	<u>5,695</u>	<u>2,498</u>	<u>51,018</u>	<u>41,347</u>	<u>5,193</u>	<u>2,491</u>	<u>49,031</u>
<b>Net assets - June 30</b>	<u>\$ 57,746</u>	<u>\$ 4,656</u>	<u>\$ 2,503</u>	<u>\$ 64,905</u>	<u>\$ 42,825</u>	<u>\$ 5,695</u>	<u>\$ 2,498</u>	<u>\$ 51,018</u>

See notes to financial statements

**BROOKLYN PUBLIC LIBRARY**

**Statement of Functional Expenses  
Year Ended June 30, 2013**

(with comparative totals for June 30, 2012)  
(in thousands)

	Program Services				Supporting Services			Total Expenses	
	Central Library	Neighborhood Libraries	Special Programs	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2013	2012
<b>Salaries and related expenses:</b>									
Salaries	\$ 9,912	\$ 34,455	\$ 2,832	\$ 47,199	\$ 2,618	\$ 1,064	\$ 3,682	\$ 50,881	\$ 52,754
Payroll taxes	929	3,229	265	4,423	266	93	359	4,782	4,818
Employee health and retirement benefits	3,997	13,893	1,142	19,032	1,247	164	1,411	20,443	21,644
<b>Total salaries and related expenses</b>	<b>14,838</b>	<b>51,577</b>	<b>4,239</b>	<b>70,654</b>	<b>4,131</b>	<b>1,321</b>	<b>5,452</b>	<b>76,106</b>	<b>79,216</b>
<b>Operating expenses:</b>									
Professional fees and contract service payments	497	1,727	142	2,366	742	68	810	3,176	2,595
Supplies	444	1,545	127	2,116	94	31	125	2,241	1,598
Telephone and telecommunications	562	1,955	161	2,678	86		86	2,764	2,585
Postage and shipping	229	794	65	1,088	8	2	10	1,098	1,400
Occupancy	464	1,615	134	2,213	26		26	2,239	2,326
Donated rent and utilities	10,050	20,709	1,963	32,722				32,722	32,318
Printing	4	13	1	18	9	9	18	36	30
Advertising and public service messages	63	218	18	299	56	58	114	413	195
Conferences, meetings, travel and subsistence	28	98	8	134	20	1	21	155	144
Subscriptions and reference publications	9	31	3	43	5	2	7	50	50
Books and public library materials	1,486	5,164	424	7,074				7,074	8,585
Insurance	105	366	30	501	76		76	577	508
Repairs and maintenance	261	907	75	1,243	93	10	103	1,346	1,387
Staff development/training	30	105	9	144	8		8	152	147
Interest, bank and lockbox fees	53	184	15	252	84	11	95	347	240
Scholarship fund and staff recognition	13	45	4	62	4		4	66	62
Direct mail costs	3	12		15	8	34	42	57	51
Miscellaneous	10	22	3	35	3	3	6	41	13
Special events	14	49	4	67	10	71	81	148	169
Bad debt expense						8	8	8	2
<b>Total operating expenses</b>	<b>29,163</b>	<b>87,136</b>	<b>7,425</b>	<b>123,724</b>	<b>5,463</b>	<b>1,629</b>	<b>7,092</b>	<b>130,816</b>	<b>133,621</b>
<b>Non-operating expenses:</b>									
Depreciation	342	1,190	98	1,630				1,630	1,487
Loss on disposal of fixed assets		13		13				13	
<b>Total non-operating expenses</b>	<b>342</b>	<b>1,203</b>	<b>98</b>	<b>1,643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,643</b>	<b>1,487</b>
<b>Total expenses</b>	<b>\$ 29,505</b>	<b>\$ 88,339</b>	<b>\$ 7,523</b>	<b>\$ 125,367</b>	<b>\$ 5,463</b>	<b>\$ 1,629</b>	<b>\$ 7,092</b>	<b>\$ 132,459</b>	<b>\$ 135,108</b>

See notes to financial statements

**BROOKLYN PUBLIC LIBRARY**

**Statement of Functional Expenses**  
**Year Ended June 30, 2012**  
(in thousands)

	Program Services			Supporting Services			Total	
	Central Library	Neighborhood Libraries	Special Programs	Total Program Services	Management and General	Fund-Raising		Total Supporting Services
<b>Salaries and related expenses:</b>								
Salaries	\$ 10,429	\$ 36,253	\$ 2,979	\$ 49,661	\$ 2,351	\$ 742	\$ 3,093	\$ 52,754
Payroll taxes	945	3,283	270	4,498	249	71	320	4,818
Employee health and retirement benefits	4,265	14,829	1,220	20,314	1,209	121	1,330	21,644
<b>Total salaries and related expenses</b>	<b>15,639</b>	<b>54,365</b>	<b>4,469</b>	<b>74,473</b>	<b>3,809</b>	<b>934</b>	<b>4,743</b>	<b>79,216</b>
<b>Operating expenses:</b>								
Professional fees and contract service payments	438	1,523	125	2,086	423	86	509	2,595
Supplies	317	1,102	91	1,510	72	16	88	1,598
Telephone and telecommunications	526	1,829	150	2,505	80		80	2,585
Postage and shipping	291	1,011	83	1,385	11	4	15	1,400
Occupancy	484	1,683	138	2,305	21		21	2,326
Donated rent and utilities	9,965	20,414	1,939	32,318				32,318
Printing	3	11	1	15	7	8	15	30
Advertising and public service messages	31	107	9	147	28	20	48	195
Conferences, meetings, travel and subsistence	29	99	8	136	7	1	8	144
Subscriptions and reference publications	8	26	2	36	7	7	14	50
Books and public library materials	1,803	6,267	515	8,585				8,585
Insurance	91	317	26	434	74		74	508
Repairs and maintenance	274	952	78	1,304	76	7	83	1,387
Staff development/training	29	102	8	139	6	2	8	147
Interest, bank and lockbox fees	41	141	12	194	31	15	46	240
Scholarship fund and staff recognition	12	43	4	59	3		3	62
Direct mail costs	4	13	1	18	6	27	33	51
Miscellaneous	2	8	1	11	2		2	13
Special events	5	16	1	22	8	139	147	169
Bad debt expense						2	2	2
<b>Total operating expenses</b>	<b>29,992</b>	<b>90,029</b>	<b>7,661</b>	<b>127,682</b>	<b>4,671</b>	<b>1,268</b>	<b>5,939</b>	<b>133,621</b>
<b>Non-operating expenses:</b>								
Depreciation	312	1,086	89	1,487				1,487
<b>Total non-operating expenses</b>	<b>312</b>	<b>1,086</b>	<b>89</b>	<b>1,487</b>				<b>1,487</b>
<b>Total expenses</b>	<b>\$ 30,304</b>	<b>\$ 91,115</b>	<b>\$ 7,750</b>	<b>\$ 129,169</b>	<b>\$ 4,671</b>	<b>\$ 1,268</b>	<b>\$ 5,939</b>	<b>\$ 135,108</b>

# BROOKLYN PUBLIC LIBRARY

## Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	2013	2012
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 13,887	\$ 1,987
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,630	1,487
Loss on disposal of fixed assets	13	
Write-off of construction-in-progress		332
Unrealized losses on investments	4,099	2,642
Net realized gains on sales of investments	(7,789)	(1,096)
Contributions to permanently restricted net assets	(5)	(7)
Bad debt expense	8	2
Deferred rent expense	(30)	(30)
Deferred revenue	(2,368)	(27,938)
Changes in:		
Receivables	(472)	672
Other assets	71	234
Accounts payable, accrued expenses and advances	(706)	2,047
Accrued wages and related liabilities	(964)	(33)
Net cash provided by (used in) operating activities	<u>7,374</u>	<u>(19,701)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	41,154	40,395
Purchases of investments	(33,009)	(40,009)
Due from broker	(32,512)	
Purchases of property and equipment	(7,788)	(4,487)
Net cash used in investing activities	<u>(32,155)</u>	<u>(4,101)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from loan payable	995	
Due to broker	24,744	
Contributions to permanently restricted net assets	5	7
Net cash provided by financing activities	<u>25,744</u>	<u>7</u>
<b>Net change in cash and cash equivalents</b>	<b>963</b>	<b>(23,795)</b>
Cash and cash equivalents - July 1	<u>32,043</u>	<u>55,838</u>
<b>Cash and cash equivalents - June 30</b>	<b><u>\$ 33,006</u></b>	<b><u>\$ 32,043</u></b>

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### [1] Organization:

The Brooklyn Public Library (the "Library") was incorporated in 1902 and serves more than 2,500,000 Brooklynites with a Central Library, a Business Library and 58 branch locations. The Library receives significant support through governmental appropriations primarily New York State and the City of New York, and its continuing operations are dependent upon such government support.

The Library is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"), and from state and local taxes under comparable laws.

#### [2] Financial reporting:

##### (a) Basis of accounting:

The accompanying financial statements of the Library have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit organizations.

##### (b) Applicability of NYPMIFA:

The terms of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") are applicable to the Library. NYPMIFA addresses (i) the management and investment of a not-for-profit entity's "institutional funds" (which are mainly the financial assets of the entity and which exclude programmatic assets), and (ii) the appropriations by the governing board of the earnings derived from the donor-restricted endowment funds. In essence, NYPMIFA requires all of the financial resources of the entity to be used in a "prudent" fashion, with the express approval and action of the governing board.

##### (c) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

##### (d) Measure of operations:

The Library includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment income allocation and all contributions except for those that are for capital expenditures or have been permanently restricted by donors. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) the Library's aggregate authorized spending amount, contributions for capital expenditures, depreciation and amortization, gain (loss) on disposal of fixed assets, contributions to permanently restricted net assets, and other nonrecurring items are recognized as non-operating activities.

##### (e) Functional allocation of expenses:

The costs of providing program and supporting services have been reported on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management, as reported in the accompanying statements of functional expenses.



# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents:

The Library considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents, except for those assets held as a part of the investment portfolio. Included in cash and cash equivalents is a balance of \$107 that is restricted for disbursement to entities involved in the NetWorking.NYC program.

(g) Net assets:

The net assets of the Library and the changes therein are classified as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources that are not subject to donor-imposed restrictions. The Library's board-designated funds represent the portions of expendable funds that are available for support of the Library's operations, at the discretion of the Library's Board of Trustees. At June 30, 2013, the Board has designated amounts for the subsequent fiscal-year's operations.

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that have been restricted by donors or grantors for specific purposes and the unappropriated appreciation on donor-restricted endowment funds that are subject to the requirements of NYPMIFA. Net assets released from restrictions represent the passage of time, satisfaction of the restricted purposes, and/or explicit appropriation action by the members of the Board of Trustees.

(iii) *Permanently restricted:*

Permanently restricted net assets represent those resources that have been designated by the donor or grantor to be held and invested in perpetuity. Generally, the donors of these assets direct the Library to use all or part of the income earned on related investments. Under the terms of NYPMIFA, those earnings are classified as temporarily restricted in the accompanying statements of activities, pending appropriations by the Board of Trustees.

### [3] Investments:

Investments with readily determinable fair values are reported at their fair value based on quoted market prices. Investments in funds-of-funds are being reported at their values as determined by the related investment managers or advisors. Such investments may have restrictions as to their marketability that could affect the Library's ability to liquidate the investments quickly. Estimated fair values may differ significantly from the values that would have been reported had a ready market for these securities existed. The Library reviews and evaluates the values provided and believes the reported amount of investments in non-publicly traded securities is a reasonable estimate of fair value.

All investments are recorded at their fair values, with investment income and realized and unrealized gains and losses reported in the accompanying statements of activities as unrestricted income (unless there are restrictions that have been imposed by donors). Donated securities are recorded at their fair values on the dates of the gifts.

# **BROOKLYN PUBLIC LIBRARY**

## **Notes to Financial Statements**

**June 30, 2013 and 2012**

(in thousands)

### **NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **[4] Property and equipment:**

Property and equipment are reported at their costs at the dates of acquisition or at their fair values at the dates of donation, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years. Amortization of leasehold improvements is provided using the straight-line method over the estimated useful lives of the improvements or the remaining life of the lease, whichever is shorter.

#### **[5] Collections:**

The Library has collections of non-circulating library materials, including books, periodicals and other items. These collections are maintained by the Library under curatorial care and are held for research, education and public exhibition in furtherance of public service. Proceeds from the sales of collections are used to acquire other items for collections. The cost of collections purchased by the Library is expensed in the year of purchase. The value of the Library's collections, for financial statement purposes, cannot be determined. The costs of circulating books and other library materials are not recorded as collections, but are recorded as an expense in the year purchased, as the useful lives of such items are relatively short.

#### **[6] Donated services:**

Contributed legal services have been included in the accompanying financial statements at their market values. However, a number of volunteers, including 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 the contributed time does not meet the criteria for recognition of contributed services under generally accepted accounting principles and, accordingly, is not reported in the accompanying financial statements.

#### **[7] Contributed facilities:**

The Library occupies the majority of its branch locations, as well as the Central Library, under rent-free arrangements with the City of New York. The estimated value of the use of those premises (including utility costs, which are paid by the City) is reported as contributed facilities support, offset by an equal amount of rental expense, in the accompanying financial statements. The Library estimates the value of those contributed facilities based upon market rental rates for properties in the same locations as branch libraries and discounts such rates for the limited-use nature of the branch library facilities.

#### **[8] Revenue recognition:**

Contributions to the Library are recorded as revenue at the earlier of the receipt of an unconditional pledge or the receipt of cash or other assets. Contributions are considered available for unrestricted use, unless they are restricted by the donors on either a temporary or permanent basis.

#### **[9] Deferred revenue:**

The Library's appropriations and grants from New York State and the City of New York are treated as exchange transactions, and, accordingly, revenue is recorded as the related expenses are incurred. Any amount received before the service is provided is reported as deferred revenue.

#### **[10] Income tax uncertainties:**

The Library is subject to the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740-10-05 relating to the accounting and reporting for uncertainty on income taxes. For the Library, ASC Topic 740-10-05 is potentially applicable to the incurrence of unrelated business income, attributable to passport services provided to the public. However, ASC Topic 740-10-05 has not had, and is not anticipated to have, a material impact on the Library's financial statements.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### [11] Fair-value measurement:

The Library is subject to the provisions of ASC Topic 820-10-05 relating to fair-value measurement. Accordingly, the Library reports a fair-value measurement of all applicable financial assets and liabilities (see Note C).

#### [12] Endowment funds:

The Library reports all applicable disclosures to its donor-restricted funds treated as endowment. The Library has no unrestricted funds designated by the Board of Trustees to function as endowment (see Note J).

#### [13] Subsequent events:

The Library considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

#### [14] Reclassification:

Certain disclosures made in fiscal-year 2012 have been reclassified to conform to the fiscal-year 2013 presentation.

### NOTE B - RECEIVABLES

At each fiscal year-end, the receivables consisted of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Appropriations and grants - New York State	\$ 3,792	\$ 3,572
Appropriations and grants - City of New York	729	917
Contributions receivable, net of allowance of \$11 and \$2 in 2013 and 2012, respectively	1,663	2,197
Purchase discount reimbursement contribution receivables	627	270
Other receivables	<u>727</u>	<u>118</u>
	<u>\$ 7,538</u>	<u>\$ 7,074</u>

Subsequent to each fiscal year-end, substantially all New York State and the City of New York appropriations and grants receivable were collected. Other receivables are expected to be collected within one year, except for certain contributions receivable which are expected to be collected in one to three years. Based on prior experience, management expects to collect the government receivables in full, and accordingly, has not established an allowance for uncollectible amounts for fiscal-year 2013.

Purchase discount reimbursement contributions arise from an agreement between the Library and the Universal Service Fund ("USF"), a not-for-profit organization, whereby USF grants to the Library an amount equal to an agreed-upon percentage of expenditures made by the Library in connection with certain public access/information technology initiatives (83% for telecommunications, Internet access, and internal connections in fiscal-year 2013; and 82% for telecommunications, Internet access, and internal connections in fiscal-year 2012). Items and services are purchased by the Library from vendors specified in the agreement and, consequently, a contribution at the specified level is made by USF to the Library. Total expenditures related to the agreement were approximately \$1,320 and \$1,500 for fiscal-years 2013 and 2012, respectively.

## BROOKLYN PUBLIC LIBRARY

### Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

#### NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following, at fair value:

	June 30,	
	2013	2012
Certificate of deposit	\$ 2,269	\$ 2,258
Managed accounts:		
Equity securities	21,819	
Fixed income	2,874	
Funds-of-funds:		
Multi-Strategy Commodities Funds		1,170
Multi-Strategy Equity Investors LLC		10,770
All Cap Fund		971
Core Equity Fund		2,381
International Equity Fund		1,787
MSCI Emerging Markets Fund		1,299
Strategic Solutions Equity Fund LLC		1,671
SSG Diversifying Company	889	924
SSG Global Hedged Equity	1,136	981
Multi-Strategy Bond Investors LLC		8,091
S&P 500 Index Non-Lending QP		318
High Quality Bond Fund		478
Real Return Bond Fund		343
	<u>\$ 28,987</u>	<u>\$ 33,442</u>

Investment income for each fiscal year consisted of the following:

	Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 516	\$ 50	\$ 566
Net realized gains on sale of investments	7,093	696	7,789
Net unrealized losses on investments	<u>(3,738)</u>	<u>(362)</u>	<u>(4,100)</u>
Investment earnings, net	3,871	384	4,255
Less: Investment earnings designated for current operations	<u>1,277</u>	<u>123</u>	<u>1,400</u>
Investment income not designated for current operations	<u>\$ 2,594</u>	<u>\$ 261</u>	<u>\$ 2,855</u>

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2013 and 2012**  
(in thousands)

**NOTE C - INVESTMENTS (CONTINUED)**

	<b>Year Ended June 30, 2012</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Dividends and interest	\$ 878	\$ 81	\$ 959
Net realized gains on sale of investments	1,006	90	1,096
Net unrealized losses on investments	<u>(2,418)</u>	<u>(224)</u>	<u>(2,642)</u>
Investment earnings, net	(534)	(53)	(587)
Less: Investment earnings designated for current operations	<u>1,281</u>	<u>119</u>	<u>1,400</u>
Investment income not designated for current operations	<u><u>\$ (1,815)</u></u>	<u><u>\$ (172)</u></u>	<u><u>\$ (1,987)</u></u>

Interest and dividends were reported net of investment management and custodial fees of \$87 and \$77 for fiscal-years 2013 and 2012, respectively.

ASC Topic 820-10-05 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability. Level 3 assets include investments which could not be independently valued, or could not be immediately redeemed at or near the fiscal year-end.

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value ("NAV") reported by each fund is used as a practical expedient to estimate fair value of the Library's interest therein, its classification in Level 2 or 3 is based on the Library's ability to redeem its interest at or near fiscal year-end. If the interest can be redeemed in the near term, the investment is classified as Level 2.

The FASB provides accounting guidance on measuring the fair value of certain investments, such as funds of funds and hedge funds, to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. Under the practical expedient, entities are permitted to use the NAV without adjustment for certain investments that qualified under the guidance. The Library's investments in funds fitting this description, classified within Level 3 of the fair-value hierarchy, are carried at fair value based on NAV. Investments in these types of funds are subject to withdrawal restrictions, and, for these Level 3 investments, the Library does not have the ability to withdraw at reported NAV at June 30, 2013 or within a reasonable period of time.

## BROOKLYN PUBLIC LIBRARY

### Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

#### NOTE C - INVESTMENTS (CONTINUED)

The Library's investments in funds of funds are valued based on the valuation policies and procedures of the general partner. The general partner performs oversight of the underlying managers' material positions both on an investment level and from a risk perspective. The general partner is responsible for ensuring the investments are valued according to the policies and procedures adopted by the partnership. The Library places reliance upon those procedures and records these investments at fair value, as determined by the general partner. The classification of investments in the fair-value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating fair value of each investment's underlying assets and liabilities.

The following tables summarize the fair values of the Library's assets at each fiscal year-end, in accordance with the ASC Topic 820-10-05 valuation levels:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ 2,269	\$ 0		\$ 2,269
Managed accounts:				
Equity	21,819			21,819
Fixed income	2,874			2,874
Funds of funds:				
SSG Diversifying Company			\$ 889	889
SSG Global Hedged Equity			1,136	1,136
Total	<u>\$ 26,962</u>	<u>\$ 0</u>	<u>\$ 2,025</u>	<u>\$ 28,987</u>

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Certificate of deposit	\$ 2,258			\$ 2,258
Funds of funds:				
Multi-Strategy Commodities Funds			\$ 1,170	1,170
Multi-Strategy Equity Investors LLC		\$ 10,770		10,770
All Cap Fund		971		971
Core Equity Fund		2,381		2,381
International Equity Fund		1,787		1,787
MSCI Emerging Markets Funds			1,299	1,299
Strategic Solutions Equity Fund LLC		1,671		1,671
SSG Diversifying Company			924	924
SSG Global Hedged Equity			981	981
Multi-Strategy Bond Investors LLC		8,091		8,091
S&P 500 Index Non-Lending QP		318		318
High Quality Bond Fund		478		478
Real Return Bond Fund		343		343
Total	<u>\$ 2,258</u>	<u>\$ 26,810</u>	<u>\$ 4,374</u>	<u>\$ 33,442</u>

## BROOKLYN PUBLIC LIBRARY

### Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

#### NOTE C - INVESTMENTS (CONTINUED)

The following tables summarize the activity for financial instruments classified within Level 3:

	Year Ended June 30, 2013				
	Multi-Strategy Commodities Funds	Emerging Markets Investors Co.	SSG Diversifying Company	SSG Global Hedged Equity	Total
Balance - July 1, 2012	\$ 1,170	\$ 1,299	\$ 924	\$ 981	\$ 4,374
Net purchases	3	100			103
Net sales	(1,131)	(1,432)			(2,563)
Realized gains (losses)	11	(146)			(135)
Unrealized (losses) gains	(53)	179	(35)	155	246
Balance - June 30, 2013	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 889</u>	<u>\$ 1,136</u>	<u>\$ 2,025</u>

	Year Ended June 30, 2012					
	Multi-Strategy Commodities Funds	Emerging Markets Investors Co.	Emerging Markets Investors Co.	SSG Diversifying Company	SSG Global Hedged Equity	Total
Balance - July 1, 2011	\$ 1,351	\$ 1,387		\$ 692	\$ 1,065	\$ 4,495
Net purchases	558		\$ 1,819	250		2,627
Net sales	(555)	(1,397)	(325)			(2,277)
Realized gains (losses)		351	(15)			336
Unrealized losses	(184)	(341)	(180)	(18)	(84)	(807)
Balance - June 30, 2012	<u>\$ 1,170</u>	<u>\$ 0</u>	<u>\$ 1,299</u>	<u>\$ 924</u>	<u>\$ 981</u>	<u>\$ 4,374</u>

The following table lists investments in other investment companies by major category:

	June 30, 2013		
	Fair Value	Redemption Frequency	Redemption Notice Period
SSG Diversifying Company	\$ 889	Quarterly	95 days
SSG Global Hedged Equity	<u>1,136</u>	Quarterly	95 days
	<u>\$ 2,025</u>		

#### NOTE D - DUE FROM AND DUE TO BROKER

On April 16, 2013, the Library's Board of Trustees voted to change the Library's investment broker from the Commonfund to JP Morgan Chase & Co. effective July 1, 2013. As part of the transition, the Commonfund was instructed to liquidate the Library's holdings starting June 28, 2013, and Chase was instructed to start trading on the Library's behalf on June 28, 2013, so that the Library would not be "out-of-the-market" during the transition period. On June 30, 2013, the net effect of the transactions were as follows:

Due from broker (the Commonfund)	\$ 32,512
Due to broker (JP Morgan Chase & Co.)	<u>(24,744)</u>
<b>Net due from broker</b>	<u>\$ 7,768</u>

## BROOKLYN PUBLIC LIBRARY

### Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

#### NOTE E - PROPERTY AND EQUIPMENT

The Library's branch properties are owned by the City of New York and are occupied by the Library under its 1903 agreement with the City to provide library services to the people of Brooklyn. Apart from repairs and improvements borne by the Library from its operating budget, capital improvements to the Library's buildings are typically funded from the City's capital budget. According to the City's guidelines, all City-funded capital improvements or renovations are treated as fixed assets in the City's financial records. In order to represent the City's ownership of these assets, and to avoid duplicative accounting, City-funded capital improvements and renovations are not recorded in the Library's financial records.

In fiscal-years 2013 and 2012, the City of New York paid approximately \$16,755 and \$14,400, respectively, for capital appropriations relating to renovations of City-owned branches. The City's total commitment to branch capital improvement is approximately \$88,357 over the next five fiscal years. During fiscal-years 2003 to 2013, the City contributed approximately \$146,798 for branch capital-improvement expenses.

At each fiscal year-end, property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Furniture and fixtures	\$ 3,647	\$ 2,081
Leasehold improvements	21,014	14,674
Computer equipment	4,850	5,041
Construction-in-progress	<u>2,219</u>	<u>3,363</u>
	31,730	25,159
Less accumulated depreciation	<u>6,598</u>	<u>6,172</u>
	<u>\$ 25,132</u>	<u>\$ 18,987</u>

During fiscal-years 2013 and 2012, the Library wrote off approximately \$1,203 and \$1,367, respectively, of fully depreciated property and equipment.

#### NOTE F - SUPER-STORM SANDY

On October 29, 2012, Super-storm Sandy made landfall in the New York City metropolitan region causing significant damage to branch properties occupied by the Library, and, to varying degrees, affected the Library's ability to effectively serve its patrons. With a modest amount of repair and clean-up, all of the branches, except for the Coney Island and Gerritsen Beach locations, have since reopened to the public. The Coney Island and Gerritsen Beach branches require extensive rehabilitation to their structures and replacement of most of their contents. The Library has engaged Westerman and Company, Inc. to carry out the rehabilitation of its branches affected by the storm.

To minimize the effect of any potential losses, including business interruptions, the Library has insurance policies on all of its occupied properties. At the time of the storm, the Library had property and umbrella coverage of all its properties. In addition, the Library had federal flood insurance coverage for its Coney Island, Gerritsen Beach, and Red Hook branches which were determined to be in a flood zone. As of June 30, 2013, the Library has received approximately \$3.1 million in insurance proceeds, which includes \$1.5 million received from the National Flood Insurance Program ("NFIP"). Also, the Library has received approximately \$6 million in private donations toward the cost of the losses.



**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**

**June 30, 2013 and 2012**

(in thousands)

**NOTE F - SUPER-STORM SANDY (CONTINUED)**

The estimated disaster loss and cost of the rehabilitation work and replacement of lost contents are summarized as follows:

Branch rehabilitation	\$ 4,077
Library collections	495
Furniture, fixtures and equipment	783
Others	<u>48</u>
<b>Total Sandy cost</b>	<b>5,403</b>
Less reimbursements:	
National Flood Insurance Program	(1,941)
Commercial insurance	(1,409)
Grants and donations	<u>(893)</u>
<b>Net Sandy cost</b>	<b><u>\$ (1,160)</u></b>

The Library has reached the policy limit with its commercial insurance carrier and it is still in negotiations with the NFIP for the final settlement. The Library expects to receive an additional \$2 million from the flood insurance program, and is also pursuing assistance from FEMA and the City of New York to cover any shortfall.

**NOTE G - LOAN PAYABLE**

On December 21, 2012, the Library executed an interest-free loan agreement with the Fund for the City of New York for \$995 as part of the NYC Nonprofit Recovery loan program, to aid the recovery of damages suffered as a result of Super-storm Sandy (see Note F). The loan has been repaid in accordance with the loan agreement. The imputed interest on the loan is not material.

**NOTE H - DEFERRED REVENUE**

At each fiscal year-end, deferred revenue consisted of the following:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
City of New York appropriation	\$ 18,460	\$ 18,460
State of New York construction grant	589	2,932
Other advances	<u>112</u>	<u>137</u>
	<b><u>\$ 19,161</u></b>	<b><u>\$ 21,529</u></b>

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

### NOTE I - TEMPORARILY RESTRICTED NET ASSETS

[1] At each fiscal year-end, temporarily restricted net assets consisted of the following:

	June 30,	
	2013	2012
Purpose restricted:		
Library materials acquisitions	\$ 929	\$ 1,701
Branch library support	797	619
Special programs and other:		
Central Library Information Commons	190	1,634
Child's Place	111	79
Plaza and auditorium	140	148
Summer reading	135	108
Disaster relief - Super-Storm Sandy	586	
Other	1,768	1,406
	<u>\$ 4,656</u>	<u>\$ 5,695</u>

[2] During each fiscal year, net assets released from restrictions consisted of the following:

	Year Ended June 30,	
	2013	2012
Purpose restrictions satisfied:		
Library materials acquisitions	\$ 830	\$ 84
Branch library support	170	145
Special programs and other:		
Central Library Information Commons	1,464	1,024
Child's Place	103	61
Plaza and auditorium	23	4
Summer reading	100	85
Disaster Relief - Super-Storm Sandy	31	
Other	1,397	996
	<u>\$ 4,118</u>	<u>\$ 2,399</u>

### NOTE J - ENDOWMENT

[1] **The endowment:**

The endowment consists of 45 individual, donor-restricted funds established for a variety of purposes. The Library does not have any funds designated by the Board of Trustees to function as an endowment.

[2] **Interpretation of relevant law:**

As discussed in Note A[2](b), NYPMIFA is applicable to all of the Library's institutional funds, including its donor-restricted endowment funds. The Board of Trustees will continue to adhere to NYPMIFA's requirements.

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2013 and 2012**  
(in thousands)

**NOTE J - ENDOWMENT (CONTINUED)**

**[3] Endowment net asset composition by type of fund as of June 30, 2013 and 2012:**

	Year Ended June 30, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:			
Adult Literacy Program		\$ 92	\$ 92
Books	\$ 133	301	434
Branch Humanities	304	458	762
Central Library Information Commons	49	500	549
Staff Welfare	51	112	163
Plaza and Auditorium Programming	160	259	419
Youth and Children Programming	352	690	1,042
Willendorf Lecture Series	27	50	77
Others - undesignated	23	41	64
Total funds	<u>\$ 1,099</u>	<u>\$ 2,503</u>	<u>\$ 3,602</u>

	Year Ended June 30, 2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:			
Adult Literacy Program		\$ 88	\$ 88
Books	\$ 97	301	398
Branch Humanities	240	458	698
Central Library Information Commons	28	500	528
Staff Welfare	38	112	150
Plaza and Auditorium Programming	129	260	389
Youth and Children Programming	266	690	956
Willendorf Lecture Series	21	50	71
Others - undesignated	18	39	57
Total funds	<u>\$ 837</u>	<u>\$ 2,498</u>	<u>\$ 3,335</u>

**[4] Changes in endowment net assets in fiscal-years 2013 and 2012:**

	Year Ended June 30, 2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 837	\$ 2,498	\$ 3,335
Investment return	385		385
Contributions		5	5
Appropriation of endowment assets for expenditures	(123)		(123)
Endowment net assets, end of year	<u>\$ 1,099</u>	<u>\$ 2,503</u>	<u>\$ 3,602</u>

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2013 and 2012**  
 (in thousands)

**NOTE J - ENDOWMENT (CONTINUED)**

**[4] Changes in endowment net assets in fiscal-years 2013 and 2012: (continued)**

	Year Ended June 30, 2012		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,008	\$ 2,491	\$ 3,499
Investment return	(53)		(53)
Contributions		7	7
Appropriation of endowment assets for expenditures	(118)		(118)
Endowment net assets, end of year	<u>\$ 837</u>	<u>\$ 2,498</u>	<u>\$ 3,335</u>

**[5] Funds with deficiencies:**

Due to unfavorable market fluctuations, from time to time the fair value of assets associated with individual donor-restricted endowment funds may decline below historic dollar value of the donor's original permanently restricted contribution. Under the terms of NYPMIFA, the Library has no responsibility to restore such decreases in value.

**[6] Return objectives and risk parameters:**

The Library has adopted investment and spending policies for endowment assets the objective of which is to preserve purchasing power, while providing a continuing and stable funding source to support the Library's educational programs. To accomplish this objective, the endowment seeks to generate a total return that will exceed not only its operating expenses, but also all the expense associated with managing the fund and the eroding effects of inflation. It is the intention that all total investment returns (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the fund. The fund will be managed on a total return basis, consistent with the applicable standard of conduct set forth in NYPMIFA.

**[7] Strategies employed for achieving objectives:**

To satisfy its long-term rate-of-return objectives, the Library relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Library targets a diversified asset allocation that places a greater emphasis on funds of funds and equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**[8] Spending policy:**

For distribution each year, the Library has a policy of appropriating 5% of its endowment fund's average fair value over the prior 60 months through the fiscal year preceding the fiscal year in which the distribution is planned. In establishing this policy, the Library considered the long-term expected return on its endowment. Accordingly, over the long term, the Library expects the current spending policy to allow its endowment to grow sufficiently to preserve or increase the purchasing power of its endowments. This is consistent with the Library's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2013 and 2012**  
(in thousands)

**NOTE K - NON-CASH CONTRIBUTIONS**

**[1] Contributed facilities and utilities:**

During each fiscal year, the value of facilities and utilities contributed to the Library consisted of the following:

	Year Ended June 30,	
	2013	2012
Estimated rental value of properties	\$ 29,594	\$ 29,202
Heat, light and power	3,128	3,117
	<u>\$ 32,722</u>	<u>\$ 32,319</u>

**[2] Contributed goods and services:**

During each fiscal year, the value of goods and services contributed to the Library consisted of the following:

	Year Ended June 30,	
	2013	2012
Contributed goods	\$ 10	\$ 238
Contributed legal services	309	61
	<u>\$ 319</u>	<u>\$ 299</u>

**NOTE L - COMMITMENTS AND CONTINGENCIES**

**[1] Accrued vacation benefits:**

The accompanying financial statements include a liability for unused vacation benefits earned by employees and carried forward at fiscal year-end, which amounted to approximately \$4,200 and \$4,400 for fiscal-years 2013 and 2012, respectively. The Library believes that, through future appropriations, the City of New York will fund such vacation benefits as they are paid to the employees.

**[2] Accrued terminal leave:**

The Library provides terminal leave with pay upon retirement, not to exceed one month for every ten years of service, prorated for fractional parts thereof. The Library has estimated the actuarial present value of the accumulated terminal leave benefit to be approximately \$6,225 and \$7,037 as of June 30, 2013 and 2012, respectively. Such amounts have been reported in the accompanying financial statements as part of accrued wages and related liabilities.

The significant assumptions used in calculating the actuarial present value of the terminal leave benefit were (i) an interest rate of 4.45% per annum (3.75% per annum in fiscal-year 2012); (ii) a salary increase rate of 3% per annum; and (iii) withdrawal rates ranging from 8% (age 20) to 2% (age 55), with a retirement age of 62. Terminal leave benefits are funded as they are paid to employees. The Library believes that, through future appropriations, the City of New York will fund such benefits as they are paid to employees.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2013 and 2012

(in thousands)

### NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### [3] Pension benefits:

Substantially all of the Library's employees are participants in the New York State Employees' Retirement System ("NYSERS"). NYSERS 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 ten years of accredited service. The City of New York appropriates funds to cover the full cost of pension contributions for Library employees in each year that payments are due to NYSERS. Amounts charged to expense for fiscal-years 2013 and 2012 amounted to approximately \$6,300 and \$6,500, respectively.

NYSERS follows the accounting and reporting guidance of Government Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" ("GASB 25"). Under GASB 25, NYSERS does not calculate a pension-benefit obligation. Additional information on NYSERS may be found in the State of New York Comprehensive Annual Financial Report of the Comptroller for the fiscal year ended March 31, 2013.

#### [4] Postretirement benefits:

The Library contributes to a multi-employer, postretirement-benefit plan that provides defined-benefit, health-care benefits to substantially all employees upon retirement. The Library records related expense as payments are made. The City of New York appropriates funds to cover the full cost of postretirement benefits for Library employees each year as payments are made. Amounts charged to expense amounted to approximately \$2,500 and \$2,600 in fiscal-years 2013 and 2012, respectively.

#### [5] Lease obligations:

The Library is a party to a number of operating leases that expire at various dates through June 30, 2025. Various leases provide for increases in annual base rentals based on various expenses and other increases. Aggregate rent expense amounted to approximately \$1,630 and \$1,600 in fiscal-years 2013 and 2012, respectively.

The total of the future minimum lease payments is amortized using the straight-line method over the term of the lease. The difference between rent expense calculated under this method and the actual rent paid is recorded as a deferred rent liability.

Aggregate future minimum lease payments under non-cancelable operating leases that have remaining terms in excess of one year as of June 30, 2013 are approximately as follows:

Year Ending June 30,	Amount
2014	\$ 864
2015	718
2016	321
2017	246
2018	246
Thereafter	<u>1,932</u>
	<u>\$ 4,327</u>

## **BROOKLYN PUBLIC LIBRARY**

### **Notes to Financial Statements**

**June 30, 2013 and 2012**

(in thousands)

#### **NOTE L - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

##### **[6] Litigation:**

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

##### **[7] Grantor audits:**

The Library's grantors, including agencies of the governments of New York City, New York State, and the United States, have the right to conduct or otherwise require audits of funding they provide to the Library. Such audits might result in disallowances of costs submitted for reimbursement or other questioned amounts. No amounts have been provided in the accompanying financial statements for such potential claims. Management believes that, in the event of such audits, any findings would not have a material effect on the Library's financial position or operations.

##### **[8] Surplus book sales:**

In June 2005, the Library negotiated an agreement with Better World Books ("BWB") under which it engaged BWB as its exclusive agent to manage, transport, sell and distribute the Library's surplus books and to manage and conduct all surplus-book distribution and resale services on behalf of the Library. These books are sent to BWB to be sold through established Internet book vendors (e.g., Amazon.com and Half.com) and, if not sold, will be subsequently destroyed in an environmentally responsible manner. Revenue earned through this arrangement is shared between BWB and the Library, with the Library earning 34% of gross sales.

#### **NOTE M - LINE-OF-CREDIT AGREEMENT**

The Library has a line-of-credit agreement with a bank to borrow up to \$3,500. The line of credit is renewable on an annual basis, and all outstanding balances are due at the expiration date. There was no outstanding balance at either June 30, 2013 or June 30, 2012.

#### **NOTE N - CONCENTRATION OF CREDIT RISK**

The Library maintains its cash and cash equivalents in interest-bearing accounts, the balances of which, from time to time, may exceed federally insured limits. However, the cash maintained in noninterest-bearing accounts currently has no limit on federal insurance. Management does not believe that the Library has a significant risk of loss relating to the failures of the financial institutions where the accounts are maintained.