



BROOKLYN PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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
September 12, 2016

BROOKLYN PUBLIC LIBRARY

Statements of Financial Position (in thousands)

	June 30,	
	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 20,015	\$ 15,604
Receivables, net	8,358	11,229
Investments	42,114	43,032
Property and equipment, net	36,198	30,205
Other assets	<u>83</u>	<u>102</u>
	<u>\$ 106,768</u>	<u>\$ 100,172</u>
LIABILITIES AND NET ASSETS		
Accounts payable, accrued expenses and advances	\$ 10,286	\$ 9,307
Accrued wages and related liabilities	14,407	12,884
Deferred revenue	<u>348</u>	<u>902</u>
Total liabilities	<u>25,041</u>	<u>23,093</u>
Commitments and contingencies (Note I)		
Net assets:		
Unrestricted:		
Corporate	62,574	56,145
Board-designated for building renovation	5,800	7,900
Board-designated for use in subsequent fiscal year	<u>5,439</u>	<u>5,439</u>
Total unrestricted	73,813	69,484
Temporarily restricted	5,320	5,079
Permanently restricted	<u>2,594</u>	<u>2,516</u>
Total net assets	<u>81,727</u>	<u>77,079</u>
	<u>\$ 106,768</u>	<u>\$ 100,172</u>

BROOKLYN PUBLIC LIBRARY

Statements of Activities (in thousands)

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating support and revenues:								
City of New York	\$ 108,055			\$ 108,055	\$ 98,691			\$ 98,691
State of New York	7,614			7,614	7,393			7,393
Federal government	1,156			1,156	1,180			1,180
Contribution income	1,048	\$ 2,188		3,236	786	\$ 2,938		3,724
Purchase discount reimbursement contribution	2,214			2,214	1,407			1,407
Contributed facilities and utilities	33,531			33,531	33,327			33,327
Net investment income	1,188	145		1,333	1,375	168		1,543
Contributed goods and services	378			378	86			86
Special events, net of direct benefit to donors of \$151 and \$178 in 2016 and 2015, respectively	688			688	425			425
Fines, royalties and other revenue	4,013			4,013	4,076			4,076
	<u>159,885</u>	<u>2,333</u>		<u>162,218</u>	<u>148,746</u>	<u>3,106</u>		<u>151,852</u>
Net assets released from restrictions for operations	<u>1,901</u>	<u>(1,901)</u>		<u>0</u>	<u>1,957</u>	<u>(1,957)</u>		<u>0</u>
Total operating revenues and support	<u>161,786</u>	<u>432</u>		<u>162,218</u>	<u>150,703</u>	<u>1,149</u>		<u>151,852</u>
Operating expenses:								
Program services:								
Central library	33,286			33,286	31,972			31,972
Neighborhood libraries	101,308			101,308	97,060			97,060
Special programs	8,591			8,591	8,236			8,236
Total program services	<u>143,185</u>			<u>143,185</u>	<u>137,268</u>			<u>137,268</u>
Supporting services:								
Management and general	9,507			9,507	6,195			6,195
Fund-raising	3,039			3,039	2,252			2,252
Total support services	<u>12,546</u>			<u>12,546</u>	<u>8,447</u>			<u>8,447</u>
Total operating expenses	<u>155,731</u>			<u>155,731</u>	<u>145,715</u>			<u>145,715</u>
Change in net assets from operating activities	<u>6,055</u>	<u>432</u>		<u>6,487</u>	<u>4,988</u>	<u>1,149</u>		<u>6,137</u>
Non-operating activities:								
Grants and contributions	1,985	200		2,185	3,282			3,282
Permanently restricted contributions			\$ 78	78			\$ 8	8
Loss on disposal of fixed assets	(350)			(350)	(102)			(102)
Underwater funds transfer	(5)	5		0				
Depreciation	(2,865)			(2,865)	(2,349)			(2,349)
Investment losses not designated for current operations	(691)	(196)		(887)	(814)	(96)		(910)
Net assets released from restrictions for capital expenditures	<u>200</u>	<u>(200)</u>		<u>0</u>				
Change in net assets from non-operating activities	<u>(1,726)</u>	<u>(191)</u>	<u>78</u>	<u>(1,839)</u>	<u>17</u>	<u>(96)</u>	<u>8</u>	<u>(71)</u>
Increase in net assets	<u>4,329</u>	<u>241</u>	<u>78</u>	<u>4,648</u>	<u>5,005</u>	<u>1,053</u>	<u>8</u>	<u>6,066</u>
Net assets - July 1	<u>69,484</u>	<u>5,079</u>	<u>2,516</u>	<u>77,079</u>	<u>64,479</u>	<u>4,026</u>	<u>2,508</u>	<u>71,013</u>
Net assets - June 30	<u>\$ 73,813</u>	<u>\$ 5,320</u>	<u>\$ 2,594</u>	<u>\$ 81,727</u>	<u>\$ 69,484</u>	<u>\$ 5,079</u>	<u>\$ 2,516</u>	<u>\$ 77,079</u>

See notes to financial statements

BROOKLYN PUBLIC LIBRARY

Statement of Functional Expenses

Year Ended June 30, 2016

(with comparative totals for June 30, 2015)

(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	2016	2015
Salaries and related expenses:									
Salaries	\$ 11,234	\$ 39,052	\$ 3,210	\$ 53,496	\$ 3,492	\$ 1,481	\$ 4,973	\$ 58,469	\$ 55,806
Payroll taxes	999	3,473	286	4,758	310	132	442	5,200	4,917
Employee health and retirement benefits	<u>4,824</u>	<u>16,771</u>	<u>1,378</u>	<u>22,973</u>	<u>1,501</u>	<u>644</u>	<u>2,145</u>	<u>25,118</u>	<u>22,829</u>
Total salaries and related expenses	17,057	59,296	4,874	81,227	5,303	2,257	7,560	88,787	83,552
Operating expenses:									
Professional fees and contract service payments	1,288	4,478	368	6,134	1,157	237	1,394	7,528	5,807
Supplies	505	1,756	144	2,405	124	29	153	2,558	2,493
Telephone and telecommunications	820	2,850	234	3,904	154	2	156	4,060	3,583
Postage and shipping	17	57	5	79	7	1	8	87	155
Occupancy	503	1,750	144	2,397	1,434		1,434	3,831	3,536
Donated rent and utilities	10,259	21,260	2,012	33,531				33,531	33,328
Contributed PSA	14	47	4	65				65	82
Printing	5	17	2	24	5	5	10	34	9
Advertising and public service messages	56	195	16	267	36	71	107	374	280
Conferences, meetings, travel and subsistence	40	141	12	193	15	2	17	210	226
Subscriptions and reference publications	6	21	2	29	15	1	16	45	38
Books and public library materials	2,028	7,048	579	9,655				9,655	8,667
Insurance	158	550	45	753	74		74	827	800
Repairs and maintenance	355	1,235	101	1,691	777	192	969	2,660	2,005
Staff development/training	65	225	18	308	9	3	12	320	235
Interest, bank and lockbox fees	44	150	12	206	286	7	293	499	466
Scholarship fund and staff recognition	25	88	7	120	6		6	126	59
Direct mail costs	12	43	4	59	30	55	85	144	99
Miscellaneous	8	29	2	39	1	13	14	53	0
Special events	21	72	6	99	9	164	173	272	192
Bad debt expense					65		65	65	103
Total operating expenses	<u>33,286</u>	<u>101,308</u>	<u>8,591</u>	<u>143,185</u>	<u>9,507</u>	<u>3,039</u>	<u>12,546</u>	<u>155,731</u>	<u>145,715</u>
Non-operating expenses:									
Depreciation	602	2,091	172	2,865				2,865	2,349
Loss on disposal of fixed assets	<u>94</u>	<u>256</u>		<u>350</u>				<u>350</u>	<u>102</u>
Total non-operating expenses	<u>696</u>	<u>2,347</u>	<u>172</u>	<u>3,215</u>				<u>3,215</u>	<u>2,451</u>
Total expenses	<u>\$ 33,982</u>	<u>\$ 103,655</u>	<u>\$ 8,763</u>	<u>\$ 146,400</u>	<u>\$ 9,507</u>	<u>\$ 3,039</u>	<u>\$ 12,546</u>	<u>\$ 158,946</u>	<u>\$ 148,166</u>

See notes to financial statements

BROOKLYN PUBLIC LIBRARY

Statement of Functional Expenses
Year Ended June 30, 2015
(in thousands)

	Program Services			Supporting Services			Total	
	Central Library	Neighborhood Libraries	Special Programs	Total Program Services	Management and General	Fund-Raising		Total Supporting Services
Salaries and related expenses:								
Salaries	\$ 10,800	\$ 37,541	\$ 3,085	\$ 51,426	\$ 3,008	\$ 1,372	\$ 4,380	\$ 55,806
Payroll taxes	941	3,272	269	4,482	296	139	435	4,917
Employee health and retirement benefits	<u>4,462</u>	<u>15,512</u>	<u>1,275</u>	<u>21,249</u>	<u>1,375</u>	<u>205</u>	<u>1,580</u>	<u>22,829</u>
Total salaries and related expenses	16,203	56,325	4,629	77,157	4,679	1,716	6,395	83,552
Operating expenses:								
Professional fees and contract service payments	1,060	3,685	303	5,048	555	204	759	5,807
Supplies	483	1,688	139	2,310	136	47	183	2,493
Telephone and telecommunications	722	2,511	207	3,440	133	10	143	3,583
Postage and shipping	28	97	8	133	17	5	22	155
Occupancy	731	2,543	209	3,483	53	0	53	3,536
Donated rent and utilities	10,146	21,182	2,000	33,328				33,328
Contributed PSA	18	59	5	82				82
Printing	2	5	0	7		2	2	9
Advertising and public service messages	43	150	12	205	28	47	75	280
Conferences, meetings, travel and subsistence	43	148	12	203	21	2	23	226
Subscriptions and reference publications	5	18	2	25	11	2	13	38
Books and public library materials	1,820	6,327	520	8,667				8,667
Insurance	151	526	43	720	80		80	800
Repairs and maintenance	393	1,365	112	1,870	108	27	135	2,005
Staff development/training	46	159	13	218	14	3	17	235
Interest, bank and lockbox fees	45	158	13	216	229	21	250	466
Scholarship fund and staff recognition	10	34	2	46	2	11	13	59
Direct mail costs	8	27	2	37	19	43	62	99
Miscellaneous					0		0	0
Special events	15	53	5	73	8	111	119	192
Bad debt expense					<u>102</u>	<u>1</u>	<u>103</u>	<u>103</u>
Total operating expenses	<u>31,972</u>	<u>97,060</u>	<u>8,236</u>	<u>137,268</u>	<u>6,195</u>	<u>2,252</u>	<u>8,447</u>	<u>145,715</u>
Non-operating expenses:								
Depreciation and amortization	493	1,715	141	2,349				2,349
Loss on disposal of fixed assets	<u>102</u>			<u>102</u>				<u>102</u>
Total non-operating expenses	<u>595</u>	<u>1,715</u>	<u>141</u>	<u>2,451</u>				<u>2,451</u>
Total expenses	<u>\$ 32,567</u>	<u>\$ 98,775</u>	<u>\$ 8,377</u>	<u>\$ 139,719</u>	<u>\$ 6,195</u>	<u>\$ 2,252</u>	<u>\$ 8,447</u>	<u>\$ 148,166</u>

BROOKLYN PUBLIC LIBRARY

Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ 4,648	\$ 6,066
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,865	2,348
Loss on disposal of fixed assets	350	102
Unrealized losses on investments	616	1,456
Net realized losses (gains) on sales of investments	160	(1,171)
Proceeds from the sale of donated securities	25	60
Donated securities	(75)	(59)
Contributions to permanently restricted net assets	(78)	(8)
Bad debt expense	65	103
Deferred rent expense	(16)	88
Deferred revenue	(554)	(683)
Changes in:		
Receivables	2,805	(4,789)
Other assets	19	(25)
Accounts payable, accrued expenses and advances	996	3,826
Accrued wages and related liabilities	1,523	1,600
Net cash provided by operating activities	<u>13,349</u>	<u>8,914</u>
Cash flows from investing activities:		
Proceeds from sales of investments	19,935	18,618
Purchases of investments	(19,743)	(21,994)
Purchases of property and equipment	(9,208)	(4,880)
Net cash used in investing activities	<u>(9,016)</u>	<u>(8,256)</u>
Cash flows from financing activities:		
Contributions to permanently restricted net assets	78	8
Net cash provided by financing activities	<u>78</u>	<u>8</u>
Net increase in cash and cash equivalents	4,411	666
Cash and cash equivalents - July 1	<u>15,604</u>	<u>14,938</u>
Cash and cash equivalents - June 30	<u>\$ 20,015</u>	<u>\$ 15,604</u>
Supplemental disclosure of cash flow information:		
Taxes paid	<u>\$ 222</u>	<u>\$ 117</u>

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(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 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] 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 ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] 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.

[4] 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.

[5] Functional allocation of expenses:

The costs of providing program and supporting services have been reported on a functional basis in the accompanying statements of functional expenses, except for investment fees and special event expenses that have been netted against revenue 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.

[6] 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 Net-Working, NYC program.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2016 and 2015 (in thousands)

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

[7] 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, 2016 and 2015, the Board has designated amounts for the subsequent fiscal-year's operations and building renovation and improvements.

(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 New York Prudent Management of Institutional Funds Act ("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.

[8] Investments:

Investments with readily determinable fair values, such as the Library's mutual funds and stocks, are reported at their fair value based on quoted market prices. Mutual funds and stocks are invested in US equity; developed international equity, emerging market equity, fixed income and real return are reported at their fair values, as determined by the related investment managers. 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, and are generally sold upon receipt.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in Note C are those specific fees charged by the Library's investment manager in each fiscal year and do not include those fees that are embedded in various other investment accounts and transactions.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

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

[9] Property and equipment:

Property and equipment are reported at their costs on the dates of acquisition or at their fair values on the dates of donation, net of accumulated depreciation. Minor costs or repairs and maintenance are expenses as incurred. The Library capitalizes items of property and equipment that have a cost of \$20,000 or more and a useful life greater than one year. 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.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2016 and 2015, respectively, and in the opinion of management, there were no impairments. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[10] 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.

[11] 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.

[12] 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.

[13] Revenue recognition:

(i) Contributions:

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.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

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

[13] Revenue recognition: (continued)

(ii) Bequests:

The Library records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Bequest contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

(iii) Fines, royalties and other revenue:

Fines, royalties and other revenue are recognized as services are rendered.

[14] 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.

[15] Income taxes:

The Library is subject to the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, Income Taxes, as it relates to accounting and reporting for uncertainty in income taxes. For the Library, ASC Topic 740 is potentially applicable to the incurrence of unrelated business income ("UBI"), attributable to passport services provided to the public. Nonetheless, because of the Library's general tax-exempt status, management believes that ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Library's financial statements.

[16] Subsequent events:

The Library considers all 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 June 30, 2016 through September 12, 2016, the date the financial statements were available to be issued.

[17] Component unit:

For fiscal-year 2016, the Library's financial statements are to be included in The City of New York Comprehensive Annual Financial Report as a Component Unit.

[18] New pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, "Not-for-Profit Entities" (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources and e) presentation of operating cash flows. The new standard is effective for annual reporting periods issued for fiscal years beginning after December 15, 2017. The Library elected not to early adopt ASU 2016-14.

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Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE B - RECEIVABLES

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

	June 30,	
	2016	2015
Appropriations and grants - New York State	\$ 4,773	\$ 4,915
Appropriations and grants - City of New York	717	4,234
Contributions receivable, net of allowance of \$13 and \$7 in 2016 and 2015, respectively	1,540	1,473
Purchase discount reimbursement contributions receivable	1,183	390
Other receivables, net of allowance of \$97 and \$37 in 2016 and 2015, respectively	145	217
	<u>\$ 8,358</u>	<u>\$ 11,229</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.

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 (90% for telecommunications and Internet access, and 70% for voice services and internal connections in fiscal-year 2016; and 86% for telecommunications, Internet access, and internal connections in fiscal-year 2015). 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 \$2,800 and \$1,636 for fiscal-years 2016 and 2015, respectively.

NOTE C - INVESTMENTS

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

	June 30,	
	2016	2015
Certificate of deposit	\$ 2,301	\$ 2,294
Stocks/Bonds:		
US equity	5,433	
Developed international equity	1,320	
Emerging market equity	437	
Fixed income	975	
Real return	104	
Mutual funds:		
US equity	9,437	16,180
Developed international equity	5,185	5,534
Emerging market equity	615	858
Fixed income	14,125	14,537
Real return	2,182	3,629
	<u>\$ 42,114</u>	<u>\$ 43,032</u>

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2016 and 2015 (in thousands)

NOTE C - INVESTMENTS (CONTINUED)

Investment income for each fiscal year consisted of the following:

	Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest, (net of investment expenses of \$46)	\$ 1,104	\$ 118	\$ 1,222
Net realized losses on sale of investments	(142)	(18)	(160)
Net unrealized losses on investments	<u>(465)</u>	<u>(151)</u>	<u>(616)</u>
Investment earnings, net	497	(51)	446
Less: Investment earnings designated for current operations	<u>(1,188)</u>	<u>(145)</u>	<u>(1,333)</u>
Investment losses not designated for current operations, net	<u>\$ (691)</u>	<u>\$ (196)</u>	<u>\$ (887)</u>
	Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest, (net of investment expenses of \$38)	\$ 816	\$ 101	\$ 917
Net realized gains on sale of investments	1,042	129	1,171
Net unrealized losses on investments	<u>(1,298)</u>	<u>(158)</u>	<u>(1,456)</u>
Investment earnings, net	560	72	632
Less: Investment earnings designated for current operations	<u>(1,375)</u>	<u>(168)</u>	<u>(1,543)</u>
Investment losses not designated for current operations, net	<u>\$ (815)</u>	<u>\$ (96)</u>	<u>\$ (911)</u>

Interest and dividends were reported net of investment management and custodial fees of \$46 and \$38 for fiscal-years 2016 and 2015, respectively.

At June 30, 2016, concentrations of the Library's investments in excess of 10% of the fair values of its portfolio included approximately (i) 35% invested in equity securities, (ii) 36% invested in fixed income and (iii) 15% invested in developed international equity.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE C - INVESTMENTS (CONTINUED)

The FASB's ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on 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 those investments, or similar investments 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 those investments, or similar investments 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: Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

The availability of available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers among the fair-value hierarchy levels for fiscal year-end June 30, 2016 and 2015.

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

	June 30, 2016		
	Level 1	Level 2	Total
Certificate of deposit		\$ 2,301	\$ 2,301
Stocks/Bonds:			
US equity	\$ 5,433		5,433
Developed international equity	1,320		1,320
Emerging markets equity	437		437
Fixed income	975		975
Real return	104		104
Mutual funds:			
US equity	\$ 9,437		9,437
Developed international equity	5,185		5,185
Emerging markets equity	615		615
Fixed income	14,125		14,125
Real return	2,182		2,182
Total	<u>\$ 39,813</u>	<u>\$ 2,301</u>	<u>\$ 42,114</u>

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2016 and 2015 (in thousands)

NOTE C - INVESTMENTS (CONTINUED)

	June 30, 2015		
	Level 1	Level 2	Total
Certificate of deposit		\$ 2,294	\$ 2,294
Mutual funds:			
US equity	\$ 16,180		16,180
Developed international equity	5,535		5,535
Emerging market equity	858		858
Fixed income	14,536		14,536
Real return	3,629		3,629
Total	<u>\$ 40,738</u>	<u>\$ 2,294</u>	<u>\$ 43,032</u>

NOTE D - PROPERTY AND EQUIPMENT

The Library's branch properties are owned by the City of New York (the "City") 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 2016 and 2015, the City paid approximately \$16,035 and \$18,235, respectively, for capital appropriations relating to renovations of City-owned branches. The City's total commitment to branch capital improvement is approximately \$211 over the next five fiscal years. During fiscal-years 2005 to 2016, the City contributed approximately \$146 for branch capital-improvement expenses.

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

	June 30,	
	2016	2015
Furniture and fixtures	\$ 10,701	\$ 6,472
Leasehold improvements	28,745	24,923
Computer equipment	7,048	4,821
Construction-in-progress	762	2,938
	47,256	39,154
Less accumulated depreciation	<u>11,058</u>	<u>8,949</u>
	<u>\$ 36,198</u>	<u>\$ 30,205</u>

Depreciation expense during fiscal years 2016 and 2015 were \$2,865 and \$2,349, respectively. During fiscal-years 2016 and 2015, the Library wrote off approximately \$1,107 and \$773, respectively, of fully depreciated property and equipment.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE E - DEFERRED REVENUE

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
State of New York construction grant	\$ 120	\$ 529
Other advances	<u>228</u>	<u>373</u>
	<u>\$ 348</u>	<u>\$ 902</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Purpose restricted:		
Library materials acquisitions	\$ 314	\$ 331
Branch library support	1,654	1,326
Special programs and other:		
Central Library Information Commons	93	123
Plaza and auditorium	5	4
Summer reading	24	44
Disaster Relief - Super-Storm Sandy	1	1
Summer Camp	900	1,037
Other	<u>2,329</u>	<u>2,213</u>
	<u>\$ 5,320</u>	<u>\$ 5,079</u>

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

	<u>Year Ended</u>	
	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Purpose restrictions satisfied:		
Library materials acquisitions	\$ 38	\$ 51
Branch library support	450	275
Special programs and other:		
Central Library Information Commons	22	33
Child's Place	20	52
Plaza and auditorium	21	121
Summer reading	112	127
Summer Camp	137	174
Other	<u>1,301</u>	<u>1,124</u>
	<u>\$ 2,101</u>	<u>\$ 1,957</u>

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements June 30, 2016 and 2015 (in thousands)

NOTE G - ENDOWMENT

[1] The endowment:

The endowment consists of 47 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[7], NYPMIFA is applicable to all of the Library's institutional funds, including its donor-restricted endowment funds. The Board of Trustees adheres to NYPMIFA's requirements.

[3] Endowment net asset composition by type of fund as of June 30, 2016 and 2015:

	Year Ended June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds:				
Adult Literacy Program	\$ (5)		\$ 112	\$ 107
Books		\$ 147	\$ 300	\$ 447
Branch Humanities		328	458	786
Central Library Information Commons		64	500	564
Staff Welfare		57	112	169
Plaza and Auditorium Programming		171	260	431
Youth and Children Programming		386	758	1,144
Willendorf Lecture Series		30	50	80
Others - undesignated		24	44	68
Total funds	<u>\$ (5)</u>	<u>\$ 1,207</u>	<u>\$ 2,594</u>	<u>\$ 3,796</u>

	Year Ended June 30, 2015		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:			
Adult Literacy Program		\$ 103	\$ 103
Books	\$ 170	300	470
Branch Humanities	370	458	828
Central Library Information Commons	94	500	594
Staff Welfare	66	112	178
Plaza and Auditorium Programming	192	260	452
Youth and Children Programming	443	690	1,133
Willendorf Lecture Series	34	50	84
Others - undesignated	29	43	72
Total funds	<u>\$ 1,398</u>	<u>\$ 2,516</u>	<u>\$ 3,914</u>

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements
June 30, 2016 and 2015
(in thousands)

NOTE G - ENDOWMENT (CONTINUED)

[4] Changes in endowment net assets in fiscal-years 2016 and 2015:

	Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year		\$ 1,398	\$ 2,516	\$ 3,914
Investment return		(51)		(51)
Transfers due to underwater funds	\$ (5)	5		0
Contributions			78	78
Appropriation of endowment assets for expenditures		(145)		(145)
Endowment net assets, end of year	<u>\$ (5)</u>	<u>\$ 1,207</u>	<u>\$ 2,594</u>	<u>\$ 3,796</u>

	Year Ended June 30, 2015		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,493	\$ 2,508	\$ 4,001
Investment return	72		72
Contributions		8	8
Appropriation of endowment assets for expenditures	(167)		(167)
Endowment net assets, end of year	<u>\$ 1,398</u>	<u>\$ 2,516</u>	<u>\$ 3,914</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. Deficiencies at June 30, 2016 were \$5. There were no such deficiencies at June 30, 2015.

[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.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements
June 30, 2016 and 2015
(in thousands)

NOTE G - ENDOWMENT (CONTINUED)

[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 4% 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.

NOTE H - 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,	
	2016	2015
Estimated rental value of properties	\$ 30,952	\$ 30,493
Heat, light and power	2,579	2,834
	<u>\$ 33,531</u>	<u>\$ 33,327</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,	
	2016	2015
PSA	\$ 65	\$ 82
Contributed legal services	313	4
	<u>\$ 378</u>	<u>\$ 86</u>

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE I - 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 \$4,700 and \$4,500 for fiscal-years 2016 and 2015, 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 \$8,413 and \$7,567 as of June 30, 2016 and 2015, 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 3.25% per annum (4.10% per annum in fiscal-year 2015); (ii) a salary increase rate of 2.5% per annum (3% per annum in fiscal-year 2015); 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.

[3] Pension benefits:

Substantially all of the Library's employees are participants in the New York State Employees' Retirement System ("NYSERS"). NYERS 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 NYERS. Amounts charged to expense for fiscal-years 2016 and 2015 amounted to approximately \$8,722 and \$7,794, 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, NYERS does not calculate a pension-benefit obligation. Additional information on NYERS may be found in the State of New York Comprehensive Annual Financial Report of the Comptroller for the fiscal year ended March 31, 2016.

Effective July 1, 2013, certain newly hired non-union exempt staff have the option of participating in either the NYERS program or the New York State Voluntary Defined Contribution ("VDC") pension program. VDC participants are required to contribute 4.5% to 6% of their gross salary, and the Library contributes 8%. The VDC amount charged to expense for fiscal year 2016 was approximately \$40.

[4] Post-retirement benefits:

The Library contributes to a multi-employer, post-retirement 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 post-retirement benefits for Library employees each year as payments are made. Amounts charged to expense amounted to approximately \$2,800 and \$2,600 in fiscal-years 2016 and 2015, respectively.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE I - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[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 \$1,100 and \$1,400 in fiscal-years 2016 and 2015, 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, 2016 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	977
2018	989
2019	1,005
2020	1,108
2021	1,163
Thereafter	<u>4,196</u>
	<u>\$ 9,438</u>

[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.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE I - COMMITMENTS AND CONTINGENCIES (CONTINUED)

[9] BookOps:

On January 16, 2015, the Library entered into a collaborative agreement, effective May 5, 2013, with The New York Public Library, Astor, Lenox and Tilden Foundations ("NYPL") for the provision of technical services operations by NYPL's BookOps department to both the Library and NYPL. The collaborative operation is referred to as "BookOps". The BookOps services include selection and ordering, acquisitions, cataloging, processing, sorting and delivery of library materials and other activities related to the provision of circulating library services.

The actual total cost and expenses incurred in the provision of the BookOps services is shared by each party based on agreed upon allocation percentages. The allocation percentages are based on the service usage level as determined by the relevant cost drivers. The books and records are to be reviewed by an independent accountant following the end of each fiscal year to evaluate the completeness and accuracy of the costs and expenses reported by BookOps and to determine the reasonableness of the allocation percentages. Expenses incurred by the Library under this agreement were approximately \$3,506 and \$3,200 for the years ended June 30, 2016 and 2015, respectively, and are included in professional fees and contract service payments in the accompanying statements of activities.

[10] Other contracts:

In the normal course of business, the Library enters into various contracts for professional and other services, which are typically renewable on a year-to-year basis.

[11] Construction in progress:

In March 2015, the Library entered into a grant agreement with the National Fish and Wildlife Foundation in the amount of approximately \$4,400. The grant requires the Library to design and build a LEED Silver standard environmental and educational center at the site of the current Greenpoint branch library. It is expected that the new facility would be opened to the public in May 2018. In conjunction with retrofitting the Greenpoint branch library, the Library entered into a \$1,200 architectural agreement, of which approximately \$412 is included in construction in progress at June 30, 2016.

In June 2015, the Library entered into a Memorandum of Understanding with the New York City Economic Development Corporation ("NYCEDC") and the New York City Department of Cultural Affairs ("DCLA") for a joint capital project for a multi-tenant cultural programming space. NYCEDC, on behalf of DCLA, will undertake the design and construction of the Library's portion of the project. DCLA shall use New York City capital funds to pay for some of the Library's portion of the project, with the expectation that the Library will fund the balance of the project using non-city capital funds. The Library will initially contribute approximately \$2,000 in non-city (private) funds to compliment the New York City funds for the project. The final amount of the Library's non-city contribution shall be agreed upon in accordance with the cost estimates for the Library's portion of the project. At June 30, 2016, the amount included in the fiscal year 2016 construction in progress for the cultural programming space was approximately \$350.

NOTE J - 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, 2016 or June 30, 2015.

BROOKLYN PUBLIC LIBRARY

Notes to Financial Statements

June 30, 2016 and 2015

(in thousands)

NOTE K - 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 related to the failures of the financial institutions.