



# **BROOKLYN PUBLIC LIBRARY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017 and 2016**

## **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, 2017 and 2016, 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 auditors' judgments, 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 auditors consider 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, 2017 and 2016, 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, 2017

**BROOKLYN PUBLIC LIBRARY**

**Statements of Financial Position**  
(in thousands)

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Unrestricted cash and cash equivalents	\$ 21,266	\$ 20,015
Restricted cash and cash equivalents	21,686	
Contribution and grant receivables, net	8,964	8,358
Investments	44,071	42,114
Property and equipment, net	38,541	36,198
Other assets	267	83
	<u>134,795</u>	<u>106,768</u>
	<b>\$ 134,795</b>	<b>\$ 106,768</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable, accrued expenses and advances	\$ 9,506	\$ 10,286
Accrued wages and related liabilities	14,294	14,407
Deferred revenue	1,750	348
	<u>25,550</u>	<u>25,041</u>
Total liabilities	<b>25,550</b>	<b>25,041</b>
Commitments and contingencies (Note I)		
Net assets:		
Unrestricted:		
Corporate	66,262	62,574
Board-designated for building renovation	7,350	5,800
Board-designated for use in subsequent fiscal year	5,439	5,439
	<u>79,051</u>	<u>73,813</u>
Total unrestricted	<b>79,051</b>	<b>73,813</b>
Temporarily restricted	27,579	5,320
Permanently restricted	2,615	2,594
	<u>109,245</u>	<u>81,727</u>
Total net assets	<b>109,245</b>	<b>81,727</b>
	<u>\$ 134,795</u>	<u>\$ 106,768</u>
	<b>\$ 134,795</b>	<b>\$ 106,768</b>

# BROOKLYN PUBLIC LIBRARY

## Statements of Activities (in thousands)

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating support and revenues:</b>								
City of New York	\$ 110,980			\$ 110,980	\$ 108,055			\$ 108,055
State of New York	7,810			7,810	7,614			7,614
Federal government	1,187			1,187	1,156			1,156
Contribution income	1,304	\$ 3,212		4,516	1,048	\$ 2,188		3,236
Purchase discount reimbursement contribution	834			834	2,214			2,214
Contributed facilities and utilities	32,058			32,058	33,531			33,531
Net investment income	1,588	182		1,770	1,188	145		1,333
Contributed goods and services	465			465	378			378
Special events, net of direct benefit to donors of \$157 and \$151 in 2017 and 2016, respectively	581			581	688			688
Fines, royalties, and other revenue	4,307			4,307	4,013			4,013
	<u>161,114</u>	<u>3,394</u>		<u>164,508</u>	<u>159,885</u>	<u>2,333</u>		<u>162,218</u>
Net assets released from restrictions for operations	<u>2,936</u>	<u>(2,936)</u>		<u>0</u>	<u>1,901</u>	<u>(1,901)</u>		<u>0</u>
Total operating revenues and support	<u>164,050</u>	<u>458</u>		<u>164,508</u>	<u>161,786</u>	<u>432</u>		<u>162,218</u>
<b>Operating expenses:</b>								
Program services:								
Central library	34,440			34,440	33,286			33,286
Neighborhood libraries	103,045			103,045	101,308			101,308
Special programs	8,776			8,776	8,591			8,591
Total program services	<u>146,261</u>			<u>146,261</u>	<u>143,185</u>			<u>143,185</u>
Supporting services:								
Management and general	9,966			9,966	9,507			9,507
Fund-raising	3,127			3,127	3,039			3,039
Total support services	<u>13,093</u>			<u>13,093</u>	<u>12,546</u>			<u>12,546</u>
Total operating expenses	<u>159,354</u>			<u>159,354</u>	<u>155,731</u>			<u>155,731</u>
Change in net assets from operating activities	<u>4,696</u>	<u>458</u>		<u>5,154</u>	<u>6,055</u>	<u>432</u>		<u>6,487</u>
<b>Non-operating activities:</b>								
Grants and capital contributions	958	22,000		22,958	1,985	200		2,185
Permanently restricted contributions			\$ 21	21			\$ 78	78
Losses on disposals of property and equipment	(59)			(59)	(350)			(350)
Recovery of underwater funds and transfers	4	(4)		0	(5)	5		0
Depreciation	(3,593)			(3,593)	(2,865)			(2,865)
Investment gains (losses) not designated for current operations	2,918	119		3,037	(691)	(196)		(887)
Net assets released from restrictions for capital expenditures	314	(314)		0	200	(200)		0
Change in net assets from non-operating activities	<u>542</u>	<u>21,801</u>	<u>21</u>	<u>22,364</u>	<u>(1,726)</u>	<u>(191)</u>	<u>78</u>	<u>(1,839)</u>
<b>Increase in net assets</b>	<u>5,238</u>	<u>22,259</u>	<u>21</u>	<u>27,518</u>	<u>4,329</u>	<u>241</u>	<u>78</u>	<u>4,648</u>
Net assets - July 1	<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>
<b>Net assets - June 30</b>	<u>\$ 79,051</u>	<u>\$ 27,579</u>	<u>\$ 2,615</u>	<u>\$ 109,245</u>	<u>\$ 73,813</u>	<u>\$ 5,320</u>	<u>\$ 2,594</u>	<u>\$ 81,727</u>

See notes to financial statements.

# BROOKLYN PUBLIC LIBRARY

## Statement of Functional Expenses

Year Ended June 30, 2017

(with comparative totals for June 30, 2016)

(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	2017	2016
<b>Salaries and related expenses:</b>									
Salaries	\$ 11,437	\$ 39,758	\$ 3,268	\$ 54,463	\$ 4,115	\$ 1,586	\$ 5,701	\$ 60,164	\$ 58,469
Payroll taxes	1,093	3,801	313	5,207	348	141	489	5,696	5,200
Employee health and retirement benefits	5,311	18,461	1,517	25,289	1,604	676	2,280	27,569	25,118
Total salaries and related expenses	17,841	62,020	5,098	84,959	6,067	2,403	8,470	93,429	88,787
<b>Operating expenses:</b>									
Professional fees and contract service payments	1,497	5,205	428	7,130	1,251	352	1,603	8,733	7,528
Supplies	538	1,868	154	2,560	166	43	209	2,769	2,558
Telephone and telecommunications	839	2,918	240	3,997	121	3	124	4,121	4,060
Postage and shipping	23	78	6	107	39	6	45	152	87
Occupancy	306	1,065	88	1,459	1,484		1,484	2,943	3,831
Donated rent and utilities	10,458	19,677	1,923	32,058				32,058	33,531
Contributed public service announcements	55	192	16	263				263	65
Printing	8	29	2	39	5	5	10	49	34
Advertising and public service messages	60	209	17	286	40	54	94	380	374
Conferences, meetings, travel and subsistence	43	149	12	204	29	6	35	239	210
Subscriptions and reference publications	6	20	2	28	1	1	2	30	45
Books and public library materials	1,995	6,934	570	9,499				9,499	9,655
Insurance	168	586	48	802	81		81	883	827
Repairs and maintenance	396	1,377	113	1,886	198	39	237	2,123	2,660
Staff development/training	59	205	17	281	7	1	8	289	320
Interest, bank and lockbox fees	53	183	15	251	295	26	321	572	499
Scholarship fund and staff recognition	37	129	11	177	9		9	186	126
Direct mail costs	6	23	2	31	16	36	52	83	144
Miscellaneous	23	79	6	108	1	1	2	110	53
Special events	29	99	8	136	9	135	144	280	272
Bad debt expense					147	16	163	163	65
<b>Total operating expenses</b>	<b>34,440</b>	<b>103,045</b>	<b>8,776</b>	<b>146,261</b>	<b>9,966</b>	<b>3,127</b>	<b>13,093</b>	<b>159,354</b>	<b>155,731</b>
<b>Non-operating expenses:</b>									
Depreciation	755	2,623	215	3,593				3,593	2,865
Losses on disposal of property and equipment	16	43		59				59	350
<b>Total non-operating expenses</b>	<b>771</b>	<b>2,666</b>	<b>215</b>	<b>3,652</b>				<b>3,652</b>	<b>3,215</b>
<b>Total expenses</b>	<b>\$ 35,211</b>	<b>\$ 105,711</b>	<b>\$ 8,991</b>	<b>\$ 149,913</b>	<b>\$ 9,966</b>	<b>\$ 3,127</b>	<b>\$ 13,093</b>	<b>\$ 163,006</b>	<b>\$ 158,946</b>

See notes to financial statements.

# BROOKLYN PUBLIC LIBRARY

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

# BROOKLYN PUBLIC LIBRARY

## Statements of Cash Flows

(in thousands)

	Year Ended June 30,	
	2017	2016
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 27,518	\$ 4,648
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,593	2,865
Losses on disposals of property and equipment	59	350
Unrealized (gains) losses on investments	(3,398)	616
Net realized (gains) losses on sales of investments	(531)	160
Proceeds from the sale of donated securities	119	25
Donated securities	(69)	(75)
Contributions to permanently restricted net assets	(21)	(78)
Bad debts expense	163	65
Deferred rent expense	35	(16)
Restricted cash	(21,686)	
Changes in:		
Receivables, net	(769)	2,805
Other assets	(184)	19
Accounts payable, accrued expenses and advances	(815)	996
Accrued wages and related liabilities	(113)	1,523
Deferred revenue	1,402	(554)
Net cash provided by operating activities	<u>5,303</u>	<u>13,349</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	17,424	19,935
Purchases of investments	(15,502)	(19,743)
Purchases of property and equipment	(5,995)	(9,208)
Net cash used in investing activities	<u>(4,073)</u>	<u>(9,016)</u>
<b>Cash flows from financing activities:</b>		
Contributions to permanently restricted net assets	<u>21</u>	<u>78</u>
Net cash provided by financing activities	<u>21</u>	<u>78</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,251</b>	<b>4,411</b>
Cash and cash equivalents - July 1	<u>20,015</u>	<u>15,604</u>
<b>Cash and cash equivalents - June 30</b>	<b><u>\$ 21,266</u></b>	<b><u>\$ 20,015</u></b>
<b>Supplemental disclosure of cash flow of information:</b>		
Taxes paid	<u>\$ 233</u>	<u>\$ 222</u>

See notes to financial statements.

# **BROOKLYN PUBLIC LIBRARY**

## **Notes to Financial Statements**

**June 30, 2017 and 2016**

(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 2.5 million Brooklynites with a Central Library, a Business Library, and 58 branch locations. The Library receives significant support through governmental appropriations, primarily from the State of New York 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] Cash, cash equivalents and restricted cash:**

The Library considers all highly liquid financial instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those highly liquid assets held as a part of the investment portfolio. Included in cash and cash equivalents at both June 30, 2017 and 2016, is the amount of \$107, which is restricted for disbursement to entities involved in the Net-Working, NYC program. Additionally at June 30, 2017, the Library had restricted cash proceeds in the amount of \$21,686 received by the Library from the disposition of the Brooklyn Heights Branch Library building by The City of New York for the fit-out of a new Brooklyn Heights and Sunset Park Branch libraries (see Note I[11]).

#### **[5] Investments:**

Investments with readily determinable fair values, such as the Library's mutual funds, stocks, and bonds are reported at their fair values, based on quoted market prices. Mutual funds and stocks are invested in U.S. equity securities, developed international equity securities, emerging-market equity securities, fixed-income securities, and real-return securities are reported at their fair values.

As noted above, all investments are reported at their fair values, with investment income and realized and unrealized gains and losses reported in the accompanying statements of activities as either unrestricted or as restricted 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 B are those specific fees charged by the Library's investment managers 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, 2017 and 2016

(in thousands)

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

#### [6] 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 expensed as incurred. The Library capitalizes as assets those items of property and equipment that have a cost of \$20,000 or more and that have a useful life greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of these assets, which range 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 lives of the leases, 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, 2017 and 2016, respectively, and, in the opinion of management, there were no impairments. However, 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.

#### [7] Deferred revenue:

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

#### [8] 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, 2017 and 2016, 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.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements June 30, 2017 and 2016 (in thousands)

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

#### [9] 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.

#### [10] 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.

#### [11] 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.

##### (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.

##### (iv) Donated services:

Contributed legal services have been included in the accompanying financial statements at their fair 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 such 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.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements June 30, 2017 and 2016 (in thousands)

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

#### [12] 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 contributions that are for capital expenditures or have been permanently restricted by donors. Investment income, including net realized and unrealized gains and losses, that is earned in an amount in excess of (or less than) the Library's aggregate authorized spending amount, is reported as part of non-operating activities in the accompanying statements of activities, as are (i) contributions for capital expenditures, (ii) depreciation and amortization expenses, (iii) gains and losses on the disposals of property and equipment, (iv) contributions to permanently restricted net assets, and (v) all other non-recurring items of revenue and expense.

#### [13] 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 offset against revenue in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services using appropriate measurement methodologies determined by the Library's management.

#### [14] Income taxes:

The Library follows the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, relating 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, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Library's financial statements.

#### [15] Component unit:

The Library's financial statements for each fiscal year are included as a component unit in The City of New York's Comprehensive Annual Financial Report.

#### [16] Accounting Pronouncement:

In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends financial-statement presentations and disclosures, with the goal of assisting not-for-profit organizations in providing 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: (i) net asset classifications, (ii) investment returns, (iii) expense categorizations, (iv) liquidity and availability of resources, and (v) the presentation of operating cash flows. The new standard will be effective for annual reporting periods beginning after December 15, 2017. The Library will adopt the pronouncement when it becomes effective.

#### [17] Subsequent events:

The Library has considered all accounting treatments, and the related disclosures in the accompanying financial statements, that may be required as the result of all events or transactions that occur after June 30, 2017 through September 12, 2017, the date on which the financial statements were available to be issued.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2017 and 2016

(in thousands)

### NOTE B - CONTRIBUTION AND GRANT RECEIVABLES

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

	June 30,	
	2017	2016
Appropriations and grants - State of New York	\$ 4,038	\$ 4,773
Appropriations and grants - City of New York	1,711	717
Contributions receivable, net of allowance for uncollectibility of \$125 and \$13 in 2017 and 2016, respectively	2,269	1,540
Purchase-discount reimbursement contributions receivable	834	1,183
Other receivables, net of allowance for uncollectibility of \$39 and \$97 in 2017 and 2016, respectively	112	145
	<u>\$ 8,964</u>	<u>\$ 8,358</u>

Subsequent to each fiscal year-end, substantially all State of New York and City of New York appropriations and grants receivable were collected. Most other receivables are expected to be collected within one year, although certain contributions receivable are expected to be collected in periods of up 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 (80% for internal connections and Internet access, and 40% for voice services in fiscal-year 2017; and 90% for Internet access and internal connections, and 70% for voice service in fiscal-year 2016). 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 \$1,300 and \$2,800 for fiscal-years 2017 and 2016, respectively.

### NOTE C - INVESTMENTS

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

	June 30,	
	2017	2016
Certificates of deposit	\$ 2,308	\$ 2,301
Stocks/Bonds:		
U.S. equity securities	17,203	5,433
Developed international equity securities	10,132	1,320
Emerging-market equity securities	1,722	437
Fixed-income securities	12,706	975
Real-return securities		104
Mutual funds:		
U.S. equity securities		9,437
Developed international equity securities		5,185
Emerging-market equity securities		615
Fixed-income securities		14,125
Real-return securities		2,182
	<u>\$ 44,071</u>	<u>\$ 42,114</u>

## BROOKLYN PUBLIC LIBRARY

### Notes to Financial Statements

June 30, 2017 and 2016

(in thousands)

#### NOTE C - INVESTMENTS (CONTINUED)

Investment income for each fiscal year consisted of the following:

	Year Ended June 30, 2017		
	Unrestricted	Temporarily Restricted	Total
Dividends and interest, (net of investment expenses of \$192)	\$ 792	\$ 87	\$ 879
Net realized gains on sales of investments	478	52	530
Net unrealized gains on investments	<u>3,236</u>	<u>162</u>	<u>3,398</u>
Investment earnings, net	4,506	301	4,807
Less: Investment earnings designated for current operations	<u>(1,588)</u>	<u>(182)</u>	<u>(1,770)</u>
Investment gains not designated for current operations, net	<u>\$ 2,918</u>	<u>\$ 119</u>	<u>\$ 3,037</u>
	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 gains on sales 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>

Interest and dividends were reported net of investment management and custodial fees of \$192 and \$46 for fiscal-years 2017 and 2016, respectively.

At June 30, 2017, concentrations of the Library's investments in excess of 10% of the fair values of its portfolio included approximately (i) 39% invested in equity securities, (ii) 29% invested in fixed-income securities, and (iii) 22% invested in developed international equity securities.

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 securities; and (iii) 15% invested in developed international equity securities.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2017 and 2016

(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 identical investments, at the reporting dates.

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 for 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 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.

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 during either fiscal-year 2017 or fiscal-year 2016.

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, 2017		
	Level 1	Level 2	Total
Certificate of deposit		\$ 2,308	\$ 2,308
Stocks/Bonds:			
U.S. equity securities	\$ 17,203		17,203
Developed international equity securities	10,132		10,132
Emerging markets equity securities	1,722		1,722
Fixed income securities	<u>12,706</u>		<u>12,706</u>
Total	<u>\$ 41,763</u>	<u>\$ 2,308</u>	<u>\$ 44,071</u>

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2017 and 2016**  
(in thousands)

**NOTE C - INVESTMENTS (CONTINUED)**

	<b>June 30, 2016</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Certificates of deposit		\$ 2,301	\$ 2,301
Stocks/Bonds:			
U.S. equity securities	\$ 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 securities	5,185		5,185
Emerging markets equity securities	615		615
Fixed-income securities	14,125		14,125
Real-return securities	<u>2,182</u>		<u>2,182</u>
<b>Total</b>	<u>\$ 39,813</u>	<u>\$ 2,301</u>	<u>\$ 42,114</u>

**NOTE D - 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 property and equipment 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 2017 and 2016, The City paid approximately \$23,805 and \$16,035, respectively, for capital appropriations relating to renovations of City-owned branches. The City's total commitment to branch capital improvement is approximately \$254,706 over the next five fiscal years. During fiscal-years 2008 to 2017, the City contributed approximately \$156,712 for branch capital-improvement expenses.

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

	<b>June 30,</b>	
	<b>2017</b>	<b>2016</b>
Furniture and fixtures	\$ 12,932	\$ 10,701
Leasehold improvements	28,968	28,745
Computer equipment	6,941	7,048
Construction-in-progress	<u>2,233</u>	<u>762</u>
	51,074	47,256
Less accumulated depreciation	<u>(12,533)</u>	<u>(11,058)</u>
	<u>\$ 38,541</u>	<u>\$ 36,198</u>

During fiscal-years 2017 and 2016, the Library wrote off approximately \$2,078 and \$1,107, respectively, of fully depreciated property and equipment.

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2017 and 2016**  
(in thousands)

**NOTE E- DEFERRED REVENUE**

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

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
State of New York construction grant	\$ 1,317	\$ 120
Other advances	<u>433</u>	<u>228</u>
	<u>\$ 1,750</u>	<u>\$ 348</u>

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Operating:		
Library materials acquisitions	\$ 314	\$ 314
Branch library support	1,399	1,654
Special programs and other:		
Central Library Information Commons	105	93
Plaza and auditorium		5
Summer reading	2	24
Disaster relief - Super-Storm Sandy		1
Summer Camp	786	900
Artist in residence	567	
Other	<u>2,720</u>	<u>2,329</u>
	5,893	5,320
Non-operating:		
Capital projects (see Note I[11])	<u>21,686</u>	
	<u>\$ 27,579</u>	<u>\$ 5,320</u>



## BROOKLYN PUBLIC LIBRARY

### Notes to Financial Statements

June 30, 2017 and 2016

(in thousands)

#### NOTE F - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	Year Ended June 30,	
	2017	2016
<b>Operating:</b>		
Library materials acquisitions	\$ 53	\$ 38
Branch library support	371	450
Special programs and other:		
Central Library Information Commons	29	22
Child's Place	25	20
Plaza and auditorium	33	21
Summer reading	125	112
Summer Camp	114	137
Artist in residence	961	
Other	<u>1,225</u>	<u>1,301</u>
	2,936	2,101
Non-operating:		
Capital projects (see Note I[11])	<u>314</u>	
	<u>\$ 3,250</u>	<u>\$ 2,101</u>

#### 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[8], 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.

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2017 and 2016**  
(in thousands)

**NOTE G - ENDOWMENT (CONTINUED)**

**[3] Endowment net asset composition, by type of fund, as of each fiscal year-end:**

	<b>June 30, 2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds:				
Adult Literacy Program	\$ (1)		\$ 118	\$ 117
Books		\$ 161	301	462
Branch Humanities		353	458	811
Central Library Information Commons		82	500	582
Staff Welfare		62	112	174
Plaza and Auditorium Programming		184	260	444
Youth and Children Programming		421	764	1,185
Willendorf Lecture Series		32	50	82
Others - undesignated		27	52	79
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total funds	<u>\$ (1)</u>	<u>\$ 1,322</u>	<u>\$ 2,615</u>	<u>\$ 3,936</u>

	<b>June 30, 2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total funds	<u>\$ (5)</u>	<u>\$ 1,207</u>	<u>\$ 2,594</u>	<u>\$ 3,796</u>

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2017 and 2016**  
(in thousands)

**NOTE G - ENDOWMENT (CONTINUED)**

**[4] Changes in endowment net assets in fiscal-years ended:**

	<b>June 30, 2017</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ (5)	\$ 1,207	\$ 2,594	\$ 3,796
Investment return		301		301
Recovery of underwater funds	4	(4)		
Contributions			21	21
Appropriation of endowment assets for expenditures		(182)		(182)
Endowment net assets, end of year	<u>\$ (1)</u>	<u>\$ 1,322</u>	<u>\$ 2,615</u>	<u>\$ 3,936</u>
	<b>June 30, 2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
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>

**[5] 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 endowment and the eroding effects of inflation. It is the Library's intention that all total investment returns (e.g., interest income, dividends, and net realized and unrealized gains and losses), above and beyond the amount approved by the Board of Trustees for expenditure or distribution, will be reinvested in the endowment's assets. The endowment will be managed on a total-return basis, consistent with the applicable standard of conduct set forth in NYPMIFA.

**[6] 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 significant emphasis on funds-of-funds and equity-based investments to achieve its long-term return objectives, within prudent risk constraints.

**BROOKLYN PUBLIC LIBRARY**

**Notes to Financial Statements**  
**June 30, 2017 and 2016**  
(in thousands)

**NOTE G - ENDOWMENT (CONTINUED)**

**[7] Spending policy:**

For distribution each year, the Library has a policy of appropriating 5% of its endowment'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 the endowment. This is consistent with the Library's objective to maintain the purchasing power of the endowment's assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

**[8] 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 the historic dollar value of the donors' original permanently restricted contributions. Under the terms of NYPMIFA, the Library has no responsibility to restore such decreases in value. Deficiencies at June 30, 2017 and 2016 were \$1 and \$5, respectively.

**NOTE H - NON-CASH CONTRIBUTIONS**

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

During each fiscal-year, the value of facilities and utilities contributed to the Library by The City of New York consisted of the following:

	<b>Year Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Estimated rental value of properties	<b>\$ 29,820</b>	\$ 30,952
Heat, light and power	<b>2,238</b>	2,579
	<b><u>\$ 32,058</u></b>	<u>\$ 33,531</u>

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

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

	<b>Year Ended June 30,</b>	
	<b>2017</b>	<b>2016</b>
Public service announcements	<b>\$ 263</b>	\$ 65
Contributed legal services	<b>202</b>	313
	<b><u>\$ 465</u></b>	<u>\$ 378</u>

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2017 and 2016

(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 each fiscal year-end, which amounted to approximately \$4,900 and \$4,700 for fiscal-years 2017 and 2016, respectively. Management 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 obligation:

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 \$7,861 and \$8,413 as of June 30, 2017, and 2016, respectively. Such amounts have been reported in the accompanying statements of financial position 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 3.70% per annum (3.25% per annum in fiscal-year 2016); (ii) a salary increase rate of 2.50% per annum (2.5% per annum in fiscal-year 2016); and (iii) withdrawal rates ranging from 9.5% at age 20 to 3.7% at age 55 (8% at age 20 to 2% at age 55 in fiscal-year 2016), with a retirement age of 65 (62 in fiscal-year 2016). Terminal-leave benefits are funded as they are paid to employees. Management believes that, through future appropriations, The City of New York will fund terminal-leave benefits as they are paid to employees.

#### [3] Pension benefits:

Substantially all of the Library's employees are participants in the New York State and Local Employees' Retirement System (NYSLRS). NYSLRS is a cost-sharing, multiple-employer, public employee retirement system that offers plans and benefits related to years of service and final average salary. Members who joined the retirement system prior to January 1, 2010 require five years of service to be fully vested, and members who joined on or after January 1, 2010 needs ten years of service to be fully vested. Amounts of pension charged to expenses for fiscal years 2017 and 2016 amounted to approximately \$9,518 and \$8,722, respectively. Under a 1937 agreement between the Library and the City appropriate funds to cover the full cost of pension contribution for the Library employees whose salaries are funded by the City.

The Library was not listed in the plan's most recent available audited financial statements for providing more than five percent of the total contribution to the plan for the years ended March 31, 2017, and 2016. The Employer Identification Number for NYSLRS is 14-6020869. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2017, and 2016. Among other factors, plans in red zone are generally less than 65% funded, plans in yellow zone are less than 80% funded, and in green zone are at least 80% funded.

For participants who joined the system before July 27, 1976, the system is noncontributory. Participants who joined on or after July 27, 1976, are required to contribute 3% to 6% of their gross salary.

Effective July 1, 2013, certain newly hired non-union exempt staff have the option of participating in either the NYSLRS 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 expenses for fiscal years 2017 and 2016 amounted to approximately \$115 and \$40 respectively.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements June 30, 2017 and 2016 (in thousands)

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

#### [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 \$3,100 and \$2,800 in fiscal-years 2017 and 2016, 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 criteria. Aggregate rent expense amounted to approximately \$1,100 in both fiscal-years 2017 and 2016.

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, 2017, are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 989
2019	1,005
2020	1,108
2021	1,163
2022	1,178
Thereafter	<u>3,018</u>
	<u>\$ 8,461</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 The City of New York, the State of New York, 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.

# BROOKLYN PUBLIC LIBRARY

## Notes to Financial Statements

June 30, 2017 and 2016

(in thousands)

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

#### [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.

#### [9] BookOps:

On January 16, 2016, 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" and its services include selection and ordering, acquisitions, cataloging, processing, sorting, and delivery of Library materials, as well as 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. Such 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 \$3,600 and \$3,500 for fiscal-years, 2017, and 2016, 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 \$909 is included in construction in progress at June 30, 2017.

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 will use 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 City funds for the project. The final amount of the Library's non-City contribution will be agreed-upon in accordance with the cost estimates for the Library's portion of the project.

## **BROOKLYN PUBLIC LIBRARY**

### **Notes to Financial Statements**

**June 30, 2017 and 2016**

(in thousands)

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

##### **[11] Construction in progress (continued):**

The amount included in construction in progress for the cultural programming space was approximately \$600 at June 30, 2017.

In fiscal year 2017, the Library entered into a Memorandum of Understanding with The City of New York, and the NYCEDC for a joint construction project. The City disposed of one of its building (which was previously occupied by the Brooklyn Heights Branch Library) and received proceeds in the amount of \$52,000. The Library received \$22,000 of the proceeds directly for the fit-out of eligible projects, including a new Brooklyn Heights Branch Library. The remaining \$30,000 will be appropriated to the Library as capital funds from the City. The resulting property will be developed into a condominium. At the completion of the development, a condominium unit will be transferred to the Library to use as the new Brooklyn Heights Branch Library. In conjunction with retrofitting the space, the Library entered into an agreement with Marvel Architect, PLLC for the design of a new Brooklyn Heights Branch Library facility in the amount of \$941. At June 30, 2017, the amount included in construction in progress was \$189.

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

The Library has a line-of-credit agreement with a bank, under which it may 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, 2017, or June 30, 2016.

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

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