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

Financial Statements and Supplemental Schedules

June 30, 2016
(with summarized comparative financial information as of
and for the year ended June 30, 2015)

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
The New York Public Library,
Astor, Lenox and Tilden Foundations:

We have audited the accompanying financial statements of The New York Public Library, Astor, Lenox and Tilden Foundations, which comprise the balance sheet as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York Public Library, Astor, Lenox and Tilden Foundations as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Report on Summarized Comparative Information

We have previously audited The New York Public Library, Astor, Lenox and Tilden Foundations' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

November 8, 2016

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

Balance Sheet

June 30, 2016
(with summarized comparative financial information as of June 30, 2015)

(In thousands of dollars)

Assets		**2016**	**2015**
Cash and cash equivalents	$	35,553	45,336
Government and other receivables (notes 4 and 12)		53,119	45,583
Contributions receivable, net (note 5)		25,977	35,017
Other assets		6,888	4,111
Funds held by others (note 6)		10,326	3,713
Investments (notes 3 and 7)		1,126,644	1,249,918
Real estate investment used in operations (note 8)		1,084	1,084
Fixed assets, net (note 9)		377,187	345,070
Collections			
Total assets	$	1,636,778	1,729,832
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (notes 10 and 15)	$	86,496	84,831
Deferred revenue (note 12)		4,309	2,342
Note payable, net (note 12)		6,495	630
Bonds payable, net (note 13)		183,622	183,574
Accrued postretirement benefits (note 11)		92,125	101,587
Total liabilities		373,047	372,964
Commitments and contingencies (notes 7, 10, 11, 12, and 15)			
Net assets (note 8):			
Unrestricted		533,336	557,297
Temporarily restricted (note 14)		285,344	356,543
Permanently restricted (note 14)		445,051	443,028
Total net assets		1,263,731	1,356,868
Total liabilities and net assets	$	1,636,778	1,729,832

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2016
(with summarized comparative financial information for the year ended June 30, 2015)

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total	2015 Total
Operating revenues:					
City of New York	$ 168,016	—	—	168,016	150,957
State of New York	20,278	—	—	20,278	19,058
Federal government	1,935	—	—	1,935	1,081
Contributed utilities and rent	9,787	—	—	9,787	11,487
Private contributions and grants	32,826	3,609	—	36,435	36,039
Investment return appropriated for spending (note 7)	44,885	4,798	—	49,683	47,541
Fines, royalties, and other revenue	14,300	65	—	14,365	11,154
	292,027	8,472	—	300,499	277,317
Net assets released from restrictions	16,997	(16,997)	—	—	—
Total operating revenues	309,024	(8,525)	—	300,499	277,317
Operating expenses (note 16):					
Library services	260,150	—	—	260,150	244,065
Fundraising and membership development	10,700	—	—	10,700	9,661
Management and general	26,832	—	—	26,832	23,563
Total operating expenses	297,682	—	—	297,682	277,289
Additions to research collections	15,053	—	—	15,053	11,216
Total operating expenses and additions to research collections	312,735	—	—	312,735	288,505
Transfers of designated nonoperating funds	3,751	—	—	3,751	4,270
Change in net assets from operating activities, before (loss) gain on (disposal) sale of fixed assets, net	40	(8,525)	—	(8,485)	(6,918)
(Loss) gain on (disposal) sale of fixed assets, net (note 9)	(2,012)	—	—	(2,012)	88,728
Change in net assets from operating activities	(1,972)	(8,525)	—	(10,497)	81,810
Nonoperating activities:					
Endowment contributions and funds designated for long-term investment, net	9,569	(1,711)	1,892	9,750	10,661
Net assets released from restrictions for capital and contributions receivable collected	3,311	(3,311)	—	—	—
Appropriations and contributions for capital	22,069	338	—	22,407	4,534
Depreciation and amortization (note 16)	(23,028)	—	—	(23,028)	(23,685)
Investment return, net of amounts appropriated (note 7)	(42,525)	(57,990)	131	(100,384)	16,065
Postretirement benefits changes other than net periodic benefit cost (note 11)	12,366	—	—	12,366	(15,152)
Other (note 13)	—	—	—	—	588
Transfers of designated nonoperating funds	(3,751)	—	—	(3,751)	(4,270)
Change in net assets from nonoperating activities	(21,989)	(62,674)	2,023	(82,640)	(11,259)
Change in net assets	(23,961)	(71,199)	2,023	(93,137)	70,551
Net assets at beginning of year	557,297	356,543	443,028	1,356,868	1,286,317
Net assets at end of year	$ 533,336	285,344	445,051	1,263,731	1,356,868

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2016
(with summarized comparative financial information for the year ended June 30, 2015)

(In thousands of dollars)

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (93,137)	70,551
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	54,386	(61,078)
Depreciation and amortization	23,140	23,756
Deferred rent expense	644	(1,207)
Postretirement benefits changes other than net periodic benefit cost	(12,366)	15,152
Appropriations and contributions for capital	(22,407)	(4,534)
Endowment contributions	(1,892)	(3,448)
Permanently restricted investment income, net of expenses	(131)	(710)
Write-off of contributions receivable	3,123	—
(Loss) gain on (disposal) sale of fixed assets	2,012	(88,728)
Other	—	(588)
Changes in operating assets and liabilities:		
Receivables, except for contributions and other receivables restricted for investment in endowment and capital projects	(16,848)	801
Other assets	(2,777)	(2,342)
Accounts payable and accrued liabilities, except for accounts payable and accrued liabilities relating to fixed assets and deferred rent	3,659	3,253
Accrued postretirement benefits	2,904	2,720
Deferred revenue	2,049	523
Net cash used in operating activities	(57,641)	(45,879)
Cash flows from investing activities:		
Purchases of investments	(392,176)	(398,802)
Proceeds from sales of investments	461,064	362,831
Purchases of fixed assets	(62,906)	(54,891)
Proceeds from sale of fixed assets	5,749	600
Change in accounts payable and accrued liabilities relating to fixed assets	(2,638)	7,135
Net cash provided by (used in) investing activities	9,093	(83,127)
Cash flows from financing activities:		
Change in contributions receivable restricted for investment in endowment	546	1,901
Change in contributions and other receivables restricted for capital projects	14,683	4,596
Change in deferred revenue relating to capital projects	(82)	452
Appropriations and contributions for capital	22,407	4,534
Endowment contributions	1,892	3,448
Permanently restricted investment income, net of expenses	131	710
Proceeds on issuance of bonds payable	—	185,000
Principal payments on bonds payable	—	(76,000)
Bonds payable cost of issuance	—	(1,442)
Advance on note payable	5,801	1,048
Note payable cost of issuance	—	(451)
Termination payments of interest rate swaps	—	(11,236)
Proceeds from interest rate lock agreement	—	1,215
Change in funds held by others	(6,613)	8,489
Net cash provided by financing activities	38,765	122,264
Net decrease in cash and cash equivalents	(9,783)	(6,742)
Cash and cash equivalents at beginning of year	45,336	52,078
Cash and cash equivalents at end of year	$ 35,553	45,336
Supplemental disclosures:		
Unrelated business income taxes paid	$ 223	351
Interest paid	6,594	1,740
Condominium unit	—	30,000

See accompanying notes to financial statements.

(1) The Organization

The New York Public Library, Astor, Lenox and Tilden Foundations (the Library) operates research and branch libraries in New York City under a restated charter from the Regents of the State University of New York. The Library is a private, not-for-profit educational corporation that provides certain free services to users of its facilities.

Although the Library is not a governmental institution, it receives significant support through governmental appropriations in addition to the support received from private sources. In accordance with a 1901 agreement with the City of New York (the City), funding for the 88 branch libraries operated by the Library in the boroughs of Manhattan, the Bronx, and Staten Island is provided primarily by the City and the State of New York (the State), and the continuing operations of the branches is dependent upon such support. The Library also operates, at four locations in the borough of Manhattan, research libraries that are partially funded by the City, the State, and the Federal government, and by private sources and investment income.

The Library is a not-for-profit corporation that has been recognized by the Internal Revenue Service as tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the Code), and as a public charity under Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Code. The Library is generally exempt from Federal, State, and City income taxes except to the extent that it is subject to unrelated business income tax.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) Basis of Presentation

The Library’s net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Library and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. The Library’s Board of Trustees has designated a portion of the unrestricted net assets for long-term investment purposes (i.e., to function as endowment).

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by the passage of time or by actions of the Library.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently by the Library. Generally, the donors of these assets permit the Library to use all or part of the return on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated pledge period has elapsed) are reported as net assets released from restrictions. It is the Library's policy to record temporarily restricted contributions received and investment return appropriated for spending by the Board of Trustees expended in the same accounting period in the unrestricted net asset class.

(c) 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 and transfers from designated nonoperating funds to support current operating activities. Endowment contributions, certain unrestricted bequests and funds designated by the Library's Board of Trustees for long-term investment, net assets released from restrictions for capital and contributions receivable collected, appropriations and contributions for capital, contributed property for use, depreciation and amortization, investment return, net of amounts appropriated for spending pursuant to the Library's endowment spending policy (notes 7 and 8), postretirement benefit changes other than net periodic benefit cost, and other nonrecurring items are recognized as nonoperating activities.

(d) Grants and Appropriations

Government grants and appropriations are generally considered to be exchange transactions whereby revenue is recognized when related expenses are incurred. Amounts received but not yet expended are reported as deferred revenue.

(e) Contributions

Contributions, including unconditional promises to give (pledges), are recorded as revenue at fair value in the period received or pledged. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue. Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met.

Contributions of cash or other assets restricted to the acquisition of fixed assets are reported as temporarily restricted revenue. Donors' restrictions are considered met and the net assets are released from restrictions when the fixed assets are placed in service. Contributions subject to donor-imposed restrictions that the corpus be maintained permanently (i.e., endowment contributions) are recognized as increases in permanently restricted net assets.

(Continued)

(f) Contributed Properties for Use

The Library occupies its landmark building and other properties under arrangements with the City and State in which the City and State retain legal title to the buildings. The properties are provided to the Library for its long-term use, free of charge, so long as the Library uses them as operating libraries. The Library records the fair value of such contributed properties for use as revenue and fixed assets at the time they are made available to the Library for its use. The Library also receives capital appropriations from the City and State to fund construction and capital improvement projects directly managed by the Library. These appropriations are recorded as unrestricted revenues and fixed assets as costs are incurred.

(g) Contributed Utilities and Rent

The City directly pays the cost of utilities (heat, light, and power) for properties occupied by the Library. Except for the Library for the Performing Arts, where the Library pays the cost of utilities directly as part of its general services expense and is partially reimbursed by the City (amounting to $765 for fiscal years 2016 and 2015), the Library reports contributed utilities revenue for these transactions, offset by equal charges to the appropriate expense category. During the years ended June 30, 2016 and 2015, the Library recognized revenues and expenses totaling $7,632 and $8,867, respectively, for contributed utilities.

In addition, the Library recognizes contributed rent for certain properties occupied under short-term lease arrangements for which payments are below the fair rental value. During the years ended June 30, 2016 and 2015, the Library recognized revenues and expenses totaling $2,155 and $2,620, respectively, for contributed rent.

(h) Fundraising and Membership Development

Fundraising and membership development expenses were $10,700 and $9,661 for the years ended June 30, 2016 and 2015, respectively. The Library's fundraising and membership development activities include working with program staff to develop statements of need for private fundraising, including endowment and capital contributions reported as nonoperating activities; soliciting contributions for those needs and for the Annual Fund from individuals, corporations, and foundations; conducting outreach efforts to secure membership contributions and create awareness of the Library and its programs; and conducting special fundraising events. Revenues raised from special fundraising events are $5,937 and $4,711, respectively, for the years ended June 30, 2016 and 2015 and are included in private contributions and grants in the accompanying statement of activities. The costs for these events totaled approximately $2,042 and $1,473, for the same periods and are included in fundraising and membership development in the accompanying statement of activities. Fundraising costs are expensed as incurred.

(i) Operating Leases

Rent expense for operating leases is recorded on a straight-line basis over the lease term. The lease term begins when the Library has the right to control the use of the leased property, which may occur before rent payments are due under the terms of the lease. If a lease has a fixed and determinable escalation clause and/or if the lease provides for free rent periods, the difference between the straight-line rent expense and rent paid is recorded as deferred rent obligation and is included in the accompanying balance sheet in accounts payable and accrued liabilities. Rent for operating leases where escalation is based on an inflation index and amount of escalation cannot be determined at the beginning of the lease term is expensed over the lease term as it is paid.

(j) Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices or published net asset values (NAV) for investments in funds with characteristics similar to a mutual fund. The estimated fair value of certain commingled investment funds, hedge funds, and private market funds, are reported at estimated fair value based on, as a practical expedient, NAVs provided by investment managers. These values are reviewed and evaluated by Library management for reasonableness. The reported values may differ from the values that would have been reported had a ready market for these investments existed.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses and changes in unrealized gains and losses in investments are included in investment return in the statement of activities.

(k) Cash and Cash Equivalents

The Library considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the Library’s long-term investment portfolio, to be cash equivalents. The majority of cash and cash equivalents are held with one financial institution.

(l) Split-Interest Agreements

The Library’s split-interest agreements consist primarily of charitable gift annuities and pooled income funds. Contribution revenue is recognized at the date the assets are received after recording liabilities for the present value of estimated future payments to be made to the donors and/or other beneficiaries. These liabilities are adjusted annually for changes in the value of the assets, accretion of the discount 1.8% and 2.0% at June 30, 2016 and 2015, respectively, and other changes in the estimates of future benefits. The liabilities for beneficiary payments in the amount of $5,418 and $5,710, respectively, at June 30, 2016 and 2015 are included in accounts payable and accrued liabilities. Assets related to the split-interest agreements amounted to $5,954 and $6,747, respectively, at June 30, 2016 and 2015 and are included in investments in the accompanying balance sheet.

(m) Fixed Assets

Fixed assets include expenditures for the purchase of land, construction and renovation of Library-owned buildings, renovation or build-out of leased property, and purchase of furniture and equipment. Fixed assets also include properties provided to the Library by the City and State, for its long-term use as libraries, and expenditures incurred by the Library to renovate those properties. It is the Library’s policy to capitalize fixed asset costs in excess of $25.

Depreciation and amortization of buildings, building improvements, and furniture and equipment are provided over the estimated useful lives, which range from 5 to 40 years, on the straight-line basis. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the improvement.

Amounts paid directly by the City from its capital budget for certain capital improvements made to properties occupied by the Library, which are typically managed directly by the City, are not recorded by the Library. During the years ended June 30, 2016 and 2015, such amounts were approximately $7,360 and $7,228, respectively.

(n) Collections

The Library has extensive research collections of library materials, including books, periodicals, and other items. These collections are maintained by the research libraries under curatorial care and are held for research, education, and public exhibition in furtherance of public service. Proceeds from the sales of collections are used to acquire other items for collections. The cost of collections purchased by the Library for the research libraries is charged to expense when incurred, and donated collection items are not recorded. The value of the Library's research collections cannot be determined.

The cost of books and other library materials purchased by the branch libraries is not recorded as collections, but is charged as a Library services expense in the year purchased because, largely by reason of their frequent use, such items are exhaustible over a short period of time.

(o) Volunteers

A number of volunteers, including the members of the Board of Trustees, have made significant contributions of time to the Library's policy-making, program, and support functions. The value of this contributed time does not meet criteria for recognition as contributed services and, accordingly, is not reflected in the accompanying financial statements.

(p) Asset Retirement Obligations

The Library has recognized a liability for the fair value of legally required asset retirement obligations (e.g., asbestos remediation) associated with fixed assets that are owned by the Library. The Library's asset retirement obligations was $469 at June 30, 2016 and 2015 and is reflected in accounts payable and accrued liabilities in the accompanying financial statements. For City-owned buildings, by law and written agreement, the City is responsible for maintenance and repair of the buildings, which, supported by a long-term pattern of practice, includes provision of funds for remediation costs associated with asbestos and other hazardous materials in those buildings. Therefore, the Library has not recorded a liability in its financial statements for asset retirement obligations associated with City-owned buildings.

(q) Related Party Transactions

Members of the Library's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Library. The Library has a written ethics and conflicts policy that requires, among other things, annual disclosure of interests or affiliations that could be construed as creating a conflict or the appearance of a conflict with the interests of the Library. The ethics and conflicts policy requires that no member of the Board of Trustees or senior management can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each trustee and member of senior management is required to certify compliance with the ethics and conflicts policy on an annual basis and indicate whether the Library does business with an entity in which he or she has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Library, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant as of and for the years ended June 30, 2016 and 2015.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the valuation of investments at fair value, net realizable value of receivables, fair value of properties provided by the City and State, postretirement benefit obligations and related costs, and functional allocation of expenses. Actual results could differ from those estimates.

(s) Accounting for Uncertainty in Income Taxes

The Library prescribes to a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. As of June 30, 2016 and 2015, the Library does not have any uncertain tax positions or any unrelated business income tax liability, which would have a material impact upon its financial statements.

(t) Early Adoption of New Authoritative Accounting Pronouncements

In 2016, the Library early adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance on the classification and measurement of financial instruments. The guidance amends certain disclosure requirements associated with the fair value of financial instruments. ASU No 2016-01 is effective for fiscal years beginning after December 15, 2018. Entities that are not public business entities may early adopt the provisions of the standard that eliminate certain previously required disclosures. The Library chose to early adopt this standard to simplify the reporting for financial instruments and as such is no longer required to provide the disclosures related to the fair value of financial instruments carried at amortized cost.

(Continued)

(u) Presentation of Certain Prior Year Information

The financial statements include certain prior year summarized information for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Library's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

(v) Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

(w) Subsequent Events

In conjunction with the preparation of the financial statements, the Library evaluated subsequent events from July 1, 2016 through November 8, 2016, the date on which the financial statements were issued, and has concluded that there are no further disclosures required.

(3) Fair Value Measurements

Investments are reported at fair value on a recurring basis by the Library.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The inputs to fair value measurements are classified in the fair value hierarchy by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The Library prioritizes the inputs to valuation techniques used to measure fair value under the three levels of the fair value hierarchy as follows:

Level 1 inputs are quoted prices or published NAV (unadjusted) in active markets for identical assets or liabilities that the Library has the ability to access at measurement date.

Level 2 inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

The Library excludes from the fair value hierarchy investments without readily determinable fair value that are eligible to be measured at fair value using the net asset value per share practical expedient.

(In thousands of dollars)

The following table presents investments by strategy and fair value hierarchy at June 30, 2016 and 2015:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Managed accounts:				
Short-term investments	$ 54,845	—	—	54,845
Currency futures	(1,413)	—	—	(1,413)
Domestic common stocks	171,834	—	—	171,834
Corporate bonds	37,812	—	—	37,812
Government bonds	4,509	—	—	4,509
Commingled investment funds:				
Domestic equity funds	74,387	—	—	74,387
Global/international equity funds	1,708	—	—	1,708
Fixed-income funds	1,774	—	—	1,774
	$ 345,456	—	—	345,456
Investments reported at net asset value:				
Commingled investment funds:				
Domestic equity funds				180,248
Global/international equity funds				297,501
Hedge funds:				
Long/short equity funds				19,979
Multi-strategy funds				163,579
Private market funds:				
Venture capital				3,072
Private equity				74,551
Real estate				42,258
Total investments reported at net asset value				781,188
Total investments				$ 1,126,644

(In thousands of dollars)

		2015			
		Level 1	**Level 2**	**Level 3**	**Total**
Investments:					
Managed accounts:					
Short-term investments	$	50,473	—	—	50,473
Currency futures		(612)	—	—	(612)
Domestic common stocks		202,272	—	—	202,272
Corporate bonds		99,775	—	—	99,775
Government bonds		2,510	—	—	2,510
Commingled investment funds:					
Domestic equity funds		84,252	—	—	84,252
Global/international equity funds		1,882	—	—	1,882
Fixed-income funds		2,064	—	—	2,064
	$	442,616	—	—	442,616
Investments reported at net asset value:					
Commingled investment funds:					
Domestic equity funds					183,177
Global/international equity funds					307,110
Hedge funds:					
Long/short equity funds					41,037
Multi-strategy funds					157,814
Private market funds:					
Venture capital					6,114
Private equity					76,221
Real estate					35,829
Total investments reported at net asset value					807,302
Total investments				$	1,249,918

In 2015, the Financial Accounting Standards Board issued ASU No. 2015-10, *Technical Corrections and Improvements*, which clarified the definition of an equity security to include an investment in a structure similar to a mutual fund. The fair value of an equity security is considered to be readily determinable if the fair value per share is determined and published, and is the basis for current transactions. Certain investments that meet this definition aggregating $55,774 were previously disclosed as Level 2 in the fair value hierarchy. In addition, certain investments that meet this definition aggregating $32,560 were previously reported at NAV and excluded from the fair value hierarchy table. The 2015 disclosure has been corrected to reflect these investments in Level 1 of the fair value hierarchy.

(In thousands of dollars)

(4) Government and Other Receivables

At June 30, 2016 and 2015, government and other receivables consisted of the following:

		2016	2015
City of New York (construction receivables)	$	15,489	3,297
City of New York – other		19,396	16,879
State of New York		7,430	6,279
Other		10,804	19,128
Total	$	53,119	45,583

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

(5) Contributions Receivable

Contributions receivable at June 30, 2016 and 2015 are expected to be collected as follows:

		2016	2015
Amounts expected to be collected in:			
Less than one year	$	14,137	18,732
One to five years		9,512	13,386
More than five years		3,100	3,954
		26,749	36,072
Less discount to present value (at rates ranging from 1.2% to 5.0%)		(772)	(1,055)
	$	25,977	35,017

At June 30, 2016 and 2015, approximately 27% and 20%, respectively, of gross contributions receivable is due from one donor.

As of June 30, 2016 and 2015, the Library has received conditional promises to give of approximately $18,269 and $24,457, respectively, in the form of matching grants and other conditions that have not been reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met.

(In thousands of dollars)

(6) Funds Held by Others

At June 30, 2016 and 2015, funds held by others consist of cash held designated for debt service and cost of issuance under the Series 2015 bond agreement (note 13) and amounts advanced under the New Markets Tax Credit (NMTC) financing transaction (note 12) not yet drawn by the Library. Funds held by others at June 30, 2016 and 2015 were as follows:

		2016	2015
Debt service fund	$	3,982	2,588
Cost of issuance fund		22	22
New markets tax credit funds		6,322	1,103
Total	$	10,326	3,713

(7) Investments

The components of the Library's investments at June 30, 2016 and 2015 were as follows:

		Fair value	
		2016	2015
Managed accounts	$	267,587	354,418
Commingled investment funds		555,618	578,485
Hedge funds		183,558	198,851
Private market funds		119,881	118,164
Total	$	1,126,644	1,249,918

Information with respect to investment strategies, redemption terms, and funding commitments for these investments is as follows:

Managed Accounts: Investments held in nine managed custodial accounts are segregated from other client assets (i.e., not commingled) and are held in the Library's name at each institution. The underlying assets in the accounts are managed by seven separate investment managers and include short-term investments, currency futures, domestic common stocks, corporate bonds, and government bonds. For these accounts, the Library has daily liquidity with one or two days, notice required for redemptions or transfers.

Commingled Investment Funds: Commingled investment funds typically include traditional strategies employed by investment managers that invest in publicly traded equity and fixed-income securities. These strategies include, but are not limited to, diversified portfolios of U.S. equities, international equities, corporate bonds, and government-issued debt securities. The funds are typically structured as pooled investment vehicles, which may include private limited partnerships or institutional mutual funds that may or may not issue a daily NAV. For the Library's current investments in such commingled funds, redemptions are allowed at a frequency that ranges from daily to quarterly and the notice period ranges from 1 day to 60 days.

Hedge Funds: Hedge funds include a large number of investment strategies for which the underlying manager's investments are typically made in public exchange-traded securities or other types of assets that are actively traded and priced in the broker-dealer markets. For example, long/short equity managers generally build diversified portfolios of long and short investments in publicly listed equity securities based upon their positive or negative fundamental outlook for the prospects of the underlying businesses. Multi-strategy managers employ an opportunistic approach across strategies, and the manager will allocate capital based on their assessment of the relative top-down opportunity set. This includes, but is not limited to, investment opportunities in fundamental corporate equities and credit, event-driven situations such as bankruptcies and mergers, and relative value arbitrage strategies in securities that are mis-priced relative to their intrinsic value due to a market dislocation or inefficiency. Commodity-oriented strategies typically include long and short positions in exchange-traded commodity futures, options, and equities based upon the underlying manager's fundamental analysis of the supply/demand characteristics for a given commodity market. Hedge funds are typically structured as onshore or offshore private limited partnerships, which may include lock-ups and/or limited redemption terms. For the Library's hedge fund portfolio, the lock-up provisions for investments subject to such terms range from one year to three years. At June 30, 2016, $47,598 of the Library's hedge fund portfolio is within a specified lock-up period. For the remaining $135,960 of hedge fund investments at June 30, 2016, that are not subject to a lock-up provision, redemptions are allowed on an ongoing basis that range from quarterly to semiannually. Redemption notice periods range from 30 to 90 days prior to the stipulated redemption date. At June 30, 2016, the Library had no unfunded commitments to hedge funds.

Private Market Funds: Private market funds include a variety of investment strategies for which the underlying manager's investments are made in companies or assets that do not trade on a public exchange. For example, private equity strategies can include investments in mature private companies in which the manager acquires a controlling equity stake and attempts to improve the operating characteristics, management team, or capital structure of the underlying businesses. Venture capital strategies include investments in less-mature private companies that require equity capital to achieve strong sales growth for their products and services. Real estate strategies include equity or debt investments that are secured by the value of physical properties such as office, multi-family residential, hotel, retail, and industrial buildings and assets. Private market funds are usually structured as onshore private limited partnerships to which limited partners commit a specified amount of capital that is called down over time as investment opportunities are identified, typically over a four to five year fixed initial investment period. Investments cannot be redeemed during the fund's stated life, which is usually 10 to 15 years from the initial commitment date. Incremental extensions can also be granted at the expiration of a fund's life, but they typically require the consent of the majority of the limited partners. At June 30, 2016, the Library had $58,892 in unfunded commitments to private market funds. Additionally, at June 30, 2016, the Library's investments in these partnerships had remaining lives of less than 1 year and up to 15.5 years, with an average of seven years assuming all of the potential extension periods are granted at expiration.

(Continued)

(In thousands of dollars)

The following table summarizes the Library's investment return in the accompanying statement of activities for the years ended June 30, 2016 and 2015:

		2016	2015
Dividends and interest	$	14,864	14,232
Net realized and unrealized (losses) gains		(54,386)	61,078
Less investment expenses		(11,179)	(11,704)
Total investment return		(50,701)	63,606
Investment return appropriated for spending		(49,683)	(47,541)
Investment return reported as nonoperating	$	(100,384)	16,065

(8) Endowment Funds

The Library's endowment consists of 418 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Library has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as allowing the Library to appropriate for expenditure or accumulate so much of an endowment fund as the Library determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the Library classifies as permanently restricted net asset (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments. Accounting guidance associated with the enactment of NYPMIFA as set forth in Accounting Standards Codification Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

i The duration and preservation of the endowment fund

ii The purposes of the Library and the endowment fund iii General economic conditions

(In thousands of dollars)

iv The possible effect of inflation and deflation

v The expected total return from income and the appreciation of investments

vi Other resources of the Library

vii Alternatives to expenditure of the endowment fund

viii The investment policies of the Library

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. At June 30, 2016 and 2015, the fair values of 39 and 5 donor-restricted endowment funds were less than their original fair value (i.e., underwater) by a total of $9,722 and $3,072, respectively.

The Library employs an asset allocation spending model having a multi-year investment horizon, and it manages its endowment in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The Library's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment. The Library compares the performance of its endowment against several benchmarks, including its asset allocation spending model policy index.

The Library calculates annual spending as (i) 75% of the prior year's endowment spending, adjusted for inflation (i.e., CPI) and (ii) 25% of 4.5% of the endowment fair value as of December 31 of the most recent calendar year-end preceding the start of said fiscal year (Current Market Value), provided, however, that, in order to avoid any unintended spending distortions over time, in no event shall the spending amount with respect to any fiscal year be less than 4% or more than 6% of the Current Market Value. Any excess is reinvested.

Endowment net assets (excluding pledges and split interest agreements) consisted of the following at June 30, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	(9,722)	217,725	438,722	646,725
Board-designated funds functioning as endowment		378,219	18,651	—	396,870
Total	$	368,497	236,376	438,722	1,043,595

(In thousands of dollars)

Endowment net assets (excluding pledges and split interest agreements) consisted of the following at June 30, 2015:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	(3,072)	274,886	436,075	707,889
Board-designated funds functioning as endowment		401,770	20,461	—	422,231
Total	$	398,698	295,347	436,075	1,130,120

Donor-restricted amounts reported above as unrestricted net assets at June 30, 2016 and 2015 represent underwater amount of endowment funds. Board-designated amounts include real estate investment used in operations of $1,084 at June 30, 2016 and 2015.

Changes in endowment net assets for the fiscal years ended June 30, 2016 and 2015 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2014	$	380,881	281,680	431,645	1,094,206
Interest and dividends, net of expenses		1,343	498	21	1,862
Realized and unrealized gains		44,254	16,618	689	61,561
Contributions and other additions		11,591	4,690	3,720	20,001
Appropriated for spending		(39,371)	(8,139)	—	(47,510)
Net assets at June 30, 2015		398,698	295,347	436,075	1,130,120
Interest and dividends, net of expenses		2,615	—	131	2,746
Realized and unrealized losses		(1,035)	(53,281)	—	(54,316)
Contributions and other additions		12,348	—	2,516	14,864
Transfers		—	(982)	—	(982)
Appropriated for spending		(44,129)	(4,708)	—	(48,837)
Net assets at June 30, 2016	$	368,497	236,376	438,722	1,043,595

(In thousands of dollars)

(9) Fixed Assets

Fixed asset balances at June 30, 2016 and 2015 were as follows:

		2016	2015
Land	$	3,109	3,109
Buildings and improvements		561,824	517,722
Leasehold improvements		48,723	48,723
Furniture and equipment		55,982	49,265
Construction in progress		58,937	55,516
		728,575	674,335
Less accumulated depreciation and amortization		(351,388)	(329,265)
	$	377,187	345,070

On July 6, 2011, the Library entered into an initial closing on the sale of one of its fully depreciated buildings in which it received gross proceeds of $59,000, before transaction fees of $673, representing partial consideration of the total purchase price of the building. During fiscal year 2015, the Library received the remaining consideration of $600 and a condominium unit valued at $30,000 and reported a gain on the sale of $88,728. In fiscal year 2016, the Library opened the condominium unit as a new branch library.

(10) Pensions and Postemployment Benefits

Substantially all of the Library's salaried employees are participants in the New York State and Local Employees' Retirement System (NYSLRS). NYSLRS is a cost sharing, multiple employer public employee retirement system that offers plans and benefits related to years of service and final average salary. All benefits generally vest after five years of accredited service. Pension expense for these employees was approximately $19,211 and $19,759, respectively, for the years ended June 30, 2016 and 2015. There have been no significant changes that affect the comparability of fiscal year 2016 and 2015 contributions. The Library was not listed in the plan's most recent available audited financial statements for providing more than 5% of the total contributions to the plan for the years ended March 31, 2016 and 2015. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2016 and 2015. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The Employer Identification Number for NYSLRS is 14-6020869.

Under a 1937 agreement between the Library and the City, the City is responsible for pension liabilities to NYSLRS for Library employees whose salaries are funded by the City. City funding for such liabilities is included in City operating revenues in the accompanying statement of activities.

For participants enrolled in NYSLRS prior to July 27, 1976, the Library contributes the total amount necessary to pay benefits when due. Participants who enrolled in NYSLRS on or after July 27, 1976 are required to contribute 3% to 6% of their gross salary, and the Library contributes the remaining amounts necessary to pay benefits when due.

As of July 1, 2013, certain nonunion employees have an alternative option to participate in the New York State Voluntary Defined Contribution Plan (VDC). VDC participants are required to contribute 4.5% to 6.0% of their gross salary, and the Library contributes 8%. VDC expense was $557 and $275, respectively, for the years ended June 30, 2016 and 2015.

The Library provides certain severance and sick leave benefits under its Service Credit Program to all employees who meet certain age and service requirements. The present value of the Service Credit Leave obligation amounted to $4,349 and $4,204, respectively, at June 30, 2016 and 2015, which is included in accounts payable and accrued liabilities in the accompanying balance sheet. The liability is funded on a pay-as-you-go basis. Benefits paid and expenses recognized by the Library were $296 and $440, respectively, for the year ended June 30, 2016 and $296 and $191, respectively, for the year ended June 30, 2015.

(11) Postretirement Benefits Other than Pensions

In addition to providing pension benefits, the Library provides certain postretirement health and supplemental benefits to its salaried employees if they reach normal retirement age while working for the Library.

The Library funds its postretirement benefits on a pay-as-you-go basis; however, for financial reporting purposes, the Library records these benefits as employees earn them by rendering service. Accounting principles permit an employer to consider sources of funding when measuring the accrued postretirement obligation. The Library's postretirement benefit obligation considers the present value of the future appropriations from the City to fund a significant portion of postretirement benefits as they become due.

Effective July 1, 2015, the Library amended its postretirement benefit plan whereby nonunion employees hired after June 30, 2015 are not eligible to participate in the plan. In addition, effective January 1, 2016, Medicare-eligible nonunion retirees and their dependents will choose a Medicare supplement plan through a choice of providers in a private Medicare exchange along with a Health Care Reimbursement Account from the Library to help fund coverage.

(In thousands of dollars)

The following table sets forth the changes in the postretirement benefit obligation as of and for the years ended June 30, 2016 and 2015:

	2016	2015
Change in benefit obligation:		
Accumulated postretirement obligation at beginning of year	$ 101,587	83,715
Service cost	2,843	2,211
Interest cost	3,841	3,486
Amendments	(22,168)	(1,891)
Participant contributions	627	864
Actuarial net loss	9,621	17,172
Benefits paid	(6,731)	(6,556)
Federal subsidy on benefits paid	84	152
City funding offset	2,421	2,434
Accumulated postretirement obligation at end of year	92,125	101,587
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	3,599	3,106
Participant contributions	627	864
Federal subsidy on benefits paid	84	152
Benefits paid	(6,731)	(6,556)
City funding offset	2,421	2,434
Fair value of plan assets at end of year	—	—
Accrued postretirement benefits as reflected in the balance sheet	$ 92,125	101,587

The accrued postretirement benefit obligation of $92,125 and $101,587, respectively, as of June 30, 2016 and 2015 includes the present value of future City funding offset of $97,542 and $82,192.

(In thousands of dollars)

Net periodic postretirement benefit cost for the years ended June 30, 2016 and 2015 includes the following components:

		2016	2015
Service cost	$	2,843	2,211
Interest cost		3,841	3,486
Net amortization and deferral		(181)	129
Net periodic postretirement benefit cost	$	6,503	5,826
Weighted average assumptions used to determine benefit obligations – discount rate		3.65%	4.50%
Weighted average assumptions used to determine net periodic benefit cost – discount rate		4.50	4.25

Accumulated amounts recorded in unrestricted net assets other than through net periodic postretirement benefit cost at June 30, 2016 and 2015 consist of the following:

		2016	2015
Net loss	$	61,738	55,693
Prior service credit		(39,025)	(20,614)
Total	$	22,713	35,079

The expected amortization to be included in net periodic postretirement benefit cost for fiscal year 2017 is $3,768 and ($4,425) of net actuarial loss and prior service credit, respectively.

Other changes recognized in unrestricted net assets other than net periodic postretirement benefit cost during the years ended June 30, 2016 and 2015 were as follows:

		2016	2015
Net loss	$	9,621	17,172
Prior service credit		(18,411)	361
Amortization of net loss		(3,576)	(2,381)
Total	$	(12,366)	15,152

(In thousands of dollars)

The weighted average annual assumed rate of increase in the per capita cost of healthcare benefits (i.e., healthcare cost trend rate) begins at an initial rate of 7.2% for pre-65 participants and post-65 participants, and decreases gradually to 4.5% by 2028 and remains at that level thereafter. All other benefits are assumed to increase at an annual rate of 4.0%.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the plan. A 1% change in assumed healthcare cost trend rates would have the following effects as of June 30, 2016:

		1% Increase	1% Decrease
Effect on total of service and interest cost components	$	1,593	(1,230)
Effect on the postretirement benefit obligation		17,431	(13,845)

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

		Net benefit payments
Fiscal year(s) ending:		
2017	$	3,371
2018		3,522
2019		3,562
2020		3,741
2021		4,159
2022–2026		18,295

As of June 30, 2016 and 2015, the Library has considered any provisions of healthcare reform that would be expected to have a significant impact on the measured obligation.

The Library also contributes to a Taft-Hartley trust, District Council 37 New York Public Library Health and Security Plan Trust (the Plan), that provides certain welfare benefits to active and eligible retired employees of the Library covered by a collective bargaining agreement. The collective bargaining agreement is negotiated and approved periodically. The Library records related expense as contributions are made. Total expense recognized under the Plan was $3,687 and $3,521, respectively, for the years ended June 30, 2016 and 2015. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service. As of June 30, 2015, the Plan's most recently issued financial statements, the Plan had net assets available for benefits of $8,423. The actuarial present value of estimated future benefits to plan participants who have provided services as of June 30, 2015 amounted to $107,501 ($631 currently payable, $30,245 for actives fully eligible, $37,701 for actives not fully eligible, and $38,924 for retirees). There is no requirement for the Plan's Trustees to provide payment over and beyond the amounts in the Plan collected and held for such

(Continued)

(In thousands of dollars)

purpose. The Plan's Trustees have the right to change or discontinue the types and amounts of benefits under the Plan and the eligibility rules. The Library is currently the only remaining contributing employer to the Plan. The Employer Identification Number for the Plan is 13-3378857.

(12) Note Payable

The Library entered into a NMTC financing transaction on December 18, 2014 in which a NMTC corporation is providing a $10,000 NMTC allocation to support the renovation project of the Schomburg Center for Research in Black Culture. The $10,000 allocation returns $3,900 in tax credits for the investor, and $2,951 in proceeds to the Qualified Active Low-Income Business, which is the Schomburg Center for Research in Black Culture, a portion of the business of the Library.

In connection with this NMTC financing, the Library agreed to borrow $9,800 under two notes, Note A in the amount of $6,849 and Note B in the amount of $2,951. Both notes carry a 1.000043% interest rate. The principal amount of Note A corresponds to a $6,849 loan made on December 18, 2014 by another bank to a controlled entity of the investor. The Library has a $6,164 participation in the $6,849 bank loan on which the Library receives interest at the rate of 0.50%. However, there is no right to offset the note receivable of $6,164 against the Note A payable of $6,849. Note A has a seven-year term, maturing on December 18, 2021. The principal balance of Note A is due upon maturity. Upon payment of the bank loan at maturity, the Library will receive the return of its $6,164 loan participation. As of June 30, 2016 and 2015, $6,849 and $1,048, respectively, has been advanced on the Note A. Unamortized cost of issuance at June 30, 2016 and 2015 was $354 and $418, respectively. The Library's $6,164 participation in the bank loan is reported as government and other receivables in the accompanying balance sheets as of June 30, 2016 and 2015.

Note B has a 30-year term, maturing on December 18, 2044. The Library expects that shortly after December 18, 2021, the date the NMTC seven-year compliance period ends, Note B will be forgiven in exchange for the payment of $5 through the exercise of a put option by the investor. The Library has determined that, in substance, Note B is revenue to the Library for performance under the NMTC arrangement and maintenance of compliance over the seven-year period. Accordingly, such revenue will be recognized on the straight-line basis over the seven-year period. Funds received on Note B in excess of revenue earned is recorded as deferred revenue.

(13) Bonds Payable

Outstanding bonds payable at June 30, 2016 and 2015 consisted of the following:

		2016	2015
Fixed rate bonds, maturing July 1, 2045 (Series 2015)	$	185,000	185,000
Less unamortized costs of issuance		(1,378)	(1,426)
	$	183,622	183,574

(In thousands of dollars)

On March 4, 2015, the Library issued the Series 2015 taxable bonds in the amount of $185,000. The Series 2015 bonds bear interest at a fixed rate of 4.305% payable on January 1 and July 1 of each year, commencing July 1, 2015. The principal amount of the Series 2015 bonds is due on July 1, 2045. The proceeds of the Series 2015 bonds were used to refund in full the outstanding Series 1999 bonds, pay the termination costs of the associated swap agreements, and pay the costs of issuance, which resulted in the recognition of net loss of ($627). The remaining proceeds will be used to further the Library's general corporate purposes and finance several capital projects. In connection with the Series 2015 bonds' transaction, the Library entered into an interest rate lock agreement and recognized a gain of $1,215 in fiscal year 2015.

For the years ended June 30, 2016 and 2015, interest expense was $7,964 and $4,328, respectively.

(14) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets and the income on permanently restricted net assets were for the following purposes at June 30, 2016 and 2015:

	2016	2015
Temporarily restricted net assets:		
Program activities:		
Branch libraries	$ 28,523	37,605
Research libraries	135,582	166,438
Conservation and cataloging	16,498	19,586
Exhibitions and public education programs	8,631	10,956
Other – principally, time restricted and for the general operations of the research libraries and library-wide programs	87,395	112,531
Net investment in plant not yet placed in service	7,583	4,862
Acquisition of fixed assets	1,132	4,565
Total	$ 285,344	356,543

(In thousands of dollars)

		2016	2015
Permanently restricted net assets:			
Branch libraries	$	33,814	33,873
Research libraries		240,349	239,845
Conservation and cataloging		20,239	20,237
Exhibitions and public education programs		15,371	15,322
Other – principally, for the general operations of the research libraries and library-wide programs		135,278	133,751
Total	$	445,051	443,028

(15) Commitments and Contingencies

(a) Litigation and Claims

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

(b) Collective Bargaining Agreements

At June 30, 2016 and 2015, approximately 73%, of the Library's salaried employees are unionized and are employed under collective bargaining agreements, which expired on March 2, 2010. The Library continues to manage under and follow the provisions of the expired agreements. However, the economics of the agreements have been renegotiated under a Memorandum of Agreement dated July 1, 2014 and ratified on August 5, 2014 for a term beginning on March 3, 2010 through July 2, 2017.

(c) Line of Credit

The Library has available an unsecured line of credit from a bank in the amount of $15,000, of which $1,000 has been applied toward a standby letter of credit associated with the Library's paid-loss workers' compensation insurance program. The line of credit is available through February 24, 2017, subject to extension, and carries an interest rate equal to the prime rate or LIBOR plus 0.45%, as the Library may elect.

(In thousands of dollars)

(d) Leases

The Library's future minimum lease payments under noncancelable operating leases, in total and for each of the next five years, are as follows at June 30:

2017	$	6,614
2018		6,764
2019		6,890
2020		6,985
2021		7,060
Thereafter		85,779
Total	$	120,092

Various leases provide for increases in annual base rentals based on various expenses and other increases. Rent expense for the years ended June 30, 2016 and 2015 was approximately $7,196 and $7,269, respectively. Deferred rent obligation was $7,865 and $7,221, respectively, at June 30, 2016 and 2015 and is included in accounts payable and accrued liabilities in the accompanying balance sheet.

(e) Construction-Related Purchase Commitments

The Library has entered into construction-related purchase commitments of approximately $20,882 as of June 30, 2016.

(16) Functional Expense Classification

Expenses by functional classification for the years ended June 30, 2016 and 2015 were as follows:

		2016	2015
Total operating expenses and additions to research collections from the statement of activities	$	312,735	288,505
Depreciation and amortization		23,028	23,685
Total expenses	$	335,763	312,190
Library services	$	297,302	278,212
Fundraising and membership development		10,968	9,887
Management and general		27,493	24,091
Total expenses	$	335,763	312,190

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

Schedule of Activities – Branch and Research Libraries

Year ended June 30, 2016

(In thousands of dollars)

	The branch libraries				The research libraries and library-wide programs				All funds			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:												
City of New York	$ 141,965	—	—	141,965	26,051	—	—	26,051	168,016	—	—	168,016
State of New York	10,224	—	—	10,224	10,054	—	—	10,054	20,278	—	—	20,278
Federal government	827	—	—	827	1,108	—	—	1,108	1,935	—	—	1,935
Contributed utilities and rent	7,498	—	—	7,498	2,289	—	—	2,289	9,787	—	—	9,787
Private contributions and grants	7,988	(513)	—	7,475	24,838	4,122	—	28,960	32,826	3,609	—	36,435
Investment return appropriated for spending	1,949	657	—	2,606	42,936	4,141	—	47,077	44,885	4,798	—	49,683
Fines, royalties, and other revenue	4,879	62	—	4,941	9,421	3	—	9,424	14,300	65	—	14,365
	175,330	206	—	175,536	116,697	8,266	—	124,963	292,027	8,472	—	300,499
Net assets released from restrictions	6,146	(6,146)	—	—	10,851	(10,851)	—	—	16,997	(16,997)	—	—
Total operating revenues	181,476	(5,940)	—	175,536	127,548	(2,585)	—	124,963	309,024	(8,525)	—	300,499
Operating expenses:												
Library services	172,420	—	—	172,420	87,730	—	—	87,730	260,150	—	—	260,150
Fundraising and membership development	1,626	—	—	1,626	9,074	—	—	9,074	10,700	—	—	10,700
Management and general	11,304	—	—	11,304	15,528	—	—	15,528	26,832	—	—	26,832
Total operating expenses	185,350	—	—	185,350	112,332	—	—	112,332	297,682	—	—	297,682
Additions to research collections	—	—	—	—	15,053	—	—	15,053	15,053	—	—	15,053
Total operating expenses and additions to research collections	185,350	—	—	185,350	127,385	—	—	127,385	312,735	—	—	312,735
Transfers of designated nonoperating funds	843			843	2,908			2,908	3,751	—	—	3,751
Change in net assets from operating activities, before (loss) gain on (disposal) sale of fixed assets	(3,031)	(5,940)	—	(8,971)	3,071	(2,585)	—	486	40	(8,525)	—	(8,485)
(Loss) gain on (disposal) sale of fixed assets, net	(2,860)	—	—	(2,860)	848	—	—	848	(2,012)	—	—	(2,012)
Change in net assets from operating activities	(5,891)	(5,940)	—	(11,831)	3,919	(2,585)	—	1,334	(1,972)	(8,525)	—	(10,497)
Nonoperating activities:												
Endowment contributions and funds designated for long-term investment	—	—	(59)	(59)	9,569	(1,711)	1,951	9,809	9,569	(1,711)	1,892	9,750
Appropriations and contributions for capital	9,187	617	—	9,804	12,882	(279)	—	12,603	22,069	338	—	22,407
Depreciation and amortization	(9,537)	—	—	(9,537)	(13,491)	—	—	(13,491)	(23,028)	—	—	(23,028)
Investment return, net of amounts appropriated	(1,694)	(3,266)	—	(4,960)	(40,831)	(54,724)	131	(95,424)	(42,525)	(57,990)	131	(100,384)
Postretirement benefits changes other than net periodic benefit cost	7,458	—	—	7,458	4,908	—	—	4,908	12,366	—	—	12,366
Transfers of designated nonoperating funds	(843)	—	—	(843)	(2,908)	—	—	(2,908)	(3,751)	—	—	(3,751)
Net assets released from restrictions for capital and contributions receivable released from time restrictions and board-designated for long-term investment	293	(293)	—	—	3,018	(3,018)	—	—	3,311	(3,311)	—	—
Change in donor designation	4	—	—	4	(4)	—	—	(4)	—	—	—	—
Redesignation of net assets	639	—	—	639	(639)	—	—	(639)	—	—	—	—
Change in net assets from nonoperating activities	5,507	(2,942)	(59)	2,506	(27,496)	(59,732)	2,082	(85,146)	(21,989)	(62,674)	2,023	(82,640)
Change in net assets	(384)	(8,882)	(59)	(9,325)	(23,577)	(62,317)	2,082	(83,812)	(23,961)	(71,199)	2,023	(93,137)
Net assets at beginning of year	126,289	38,140	33,873	198,302	431,008	318,403	409,155	1,158,566	557,297	356,543	443,028	1,356,868
Net assets at end of year	$ 125,905	29,258	33,814	188,977	407,431	256,086	411,237	1,074,754	533,336	285,344	445,051	1,263,731

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Functional Expenses and Additions to Research Collections

Year ended June 30, 2016

(In thousands of dollars)

	Program services			Supporting services							
	Library services			Fundraising and membership development			Management and general				
	The branch libraries	The research libraries and library-wide programs	Total program services	The branch libraries	The research libraries and library-wide programs	Total fundraising and membership development	The branch libraries	The research libraries and library-wide programs	Total management and general	Total supporting services	Total
Salaries	$ 75,852	40,597	116,449	603	3,902	4,505	5,946	7,601	13,547	18,052	134,501
Fringe benefits	35,178	19,214	54,392	277	1,866	2,143	3,010	3,351	6,361	8,504	62,896
Books and library materials	17,221	2	17,223	—	—	—	2	—	2	2	17,225
Binding and conservation expenditures	224	267	491	—	—	—	15	—	15	15	506
Office-related expenditures	1,586	574	2,160	99	359	458	44	68	112	570	2,730
Equipment rental and maintenance	2,808	799	3,607	—	38	38	53	96	149	187	3,794
Telecommunications	2,402	899	3,301	—	—	—	—	6	6	6	3,307
Building repairs and related expenditures	18,554	6,459	25,013	68	95	163	206	189	395	558	25,571
Contributed utilities and rent	7,498	2,289	9,787	—	—	—	—	—	—	—	9,787
Professional services	7,697	7,753	15,450	139	932	1,071	1,192	2,517	3,709	4,780	20,230
Promotional and special event expenses	81	538	619	195	1,527	1,722	54	343	397	2,119	2,738
Interest and accretion expense	1,610	5,010	6,620	236	236	472	515	515	1,030	1,502	8,122
Insurance expense	931	764	1,695	7	7	14	123	49	172	186	1,881
Other expenses	778	2,565	3,343	2	112	114	144	793	937	1,051	4,394
Total functional expenses before additions to research collections and depreciation and amortization	172,420	87,730	260,150	1,626	9,074	10,700	11,304	15,528	26,832	37,532	297,682
Additions to research collections	—	15,053	15,053	—	—	—	—	—	—	—	15,053
Depreciation and amortization	9,083	13,016	22,099	134	134	268	320	341	661	929	23,028
Total expenses	$ 181,503	115,799	297,302	1,760	9,208	10,968	11,624	15,869	27,493	38,461	335,763

See accompanying independent auditors' report.