FINANCIAL STATEMENTS

The New York Public Library,
Astor, Lenox and Tilden Foundations
Year Ended June 30, 2008 with Summarized Financial Information
for the Year Ended June 30, 2007
With Report of Independent Auditors

The New York Public Library,
Astor, Lenox and Tilden Foundations

Financial Statements

Year Ended June 30, 2008
with Summarized Financial Information for the Year Ended June 30, 2007

Contents

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530
Tel: 212 773 3000

Report of Independent Auditors

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

We have audited the accompanying balance sheet of The New York Public Library, Astor, Lenox and Tilden Foundations (the "Library") as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Library's 2007 financial statements and, in our report dated November 12, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Library's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

October 21, 2008

The New York Public Library,
Astor, Lenox and Tilden Foundations

Balance Sheets
(In Thousands of Dollars)

	June 30	
	2008	**2007**
Assets		
Cash and cash equivalents *(Note 2)*	**$ 140,208**	$ 149,065
Receivables, net *(Note 3)*	**146,344**	43,601
Other assets	**3,730**	3,311
Assets restricted as to use *(Notes 4 and 9)*	**3,829**	5,958
Investments, at fair value *(Note 5)*	**753,785**	802,893
Real estate investment, at cost	**15,521**	15,521
Fixed assets, net *(Note 6)*	**152,549**	150,779
Collections *(Note 2)*	**–**	–
Total assets	**$1,215,966**	$ 1,171,128
Liabilities		
Accounts payable, accrued expenses, and other liabilities *(Notes 2 and 7)*	**$ 50,034**	$ 39,077
Deferred revenue – City of New York and other *(Note 2)*	**101,043**	123,020
Long-term debt *(Note 9)*	**99,400**	102,710
Interest rate swaps *(Note 9)*	**7,377**	2,865
Accrued postretirement benefits *(Notes 2 and 8)*	**126,374**	116,021
Total liabilities	**384,228**	383,693
Commitments and contingencies *(Note 14)*		
Net assets		
The Branch Libraries:		
Unrestricted	**(67,363)**	(64,329)
Temporarily restricted *(Note 10)*	**62,439**	65,085
Permanently restricted *(Note 11)*	**14,086**	14,387
The Research Libraries and Library-wide Programs:		
Unrestricted, primarily trustee-designated and net investment in fixed assets *(Note 2)*	**254,108**	185,014
Temporarily restricted, including promises to give and net investment in fixed assets *(Note 10)*	**190,181**	231,715
Permanently restricted *(Note 11)*	**378,287**	355,563
Total net assets	**831,738**	787,435
Total liabilities and net assets	**$1,215,966**	$ 1,171,128

See accompanying notes.

The New York Public Library,
Astor, Lenox and Tilden Foundations

Statement of Activities

Year Ended June 30, 2008
with Summarized Financial Information for the Year Ended June 30, 2007
(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	2008 Total	2007 Total
Operating support and revenues and reclassifications													
City of New York	**$117,110**	**$ 21**	**$ –**	**$117,131**	**$ 25,443**	**$ –**	**$ –**	**$ 25,443**	**$142,553**	**$ 21**	**$ –**	**$142,574**	$127,227
State of New York	**12,156**	**–**	**–**	**12,156**	**13,083**	**–**	**–**	**13,083**	**25,239**	**–**	**–**	**25,239**	22,724
Federal government	**558**	**–**	**–**	**558**	**928**	**–**	**–**	**928**	**1,486**	**–**	**–**	**1,486**	2,794
Contributed rent, energy and other services *(Note 2)*	**26,652**	**–**	**–**	**26,652**	**35,591**	**–**	**–**	**35,591**	**62,243**	**–**	**–**	**62,243**	58,354
Contributions from individuals, corporations and foundations, including promises to give	**1,559**	**3,866**	**–**	**5,425**	**27,298**	**8,508**	**–**	**35,806**	**28,857**	**12,374**	**–**	**41,231**	39,308
Investment income used for operations, net *(Note 5)*	**337**	**779**	**–**	**1,116**	**26,894**	**5,001**	**–**	**31,895**	**27,231**	**5,780**	**–**	**33,011**	33,696
Fines, royalties, and other revenue	**8,063**	**3**	**–**	**8,066**	**12,149**	**597**	**–**	**12,746**	**20,212**	**600**	**–**	**20,812**	18,863
	166,435	**4,669**	**–**	**171,104**	**141,386**	**14,106**	**–**	**155,492**	**307,821**	**18,775**	**–**	**326,596**	302,966
Net assets released from restrictions *(Note 12)*	**3,502**	**(3,502)**	**–**	**–**	**14,194**	**(14,194)**	**–**	**–**	**17,696**	**(17,696)**	**–**	**–**	–
Total operating support and revenues and reclassifications	**169,937**	**1,167**	**–**	**171,104**	**155,580**	**(88)**	**–**	**155,492**	**325,517**	**1,079**	**–**	**326,596**	302,966
Operating expenses													
Library services:													
Books and other library materials *(Note 2)*	**14,422**	**–**	**–**	**14,422**	**–**	**–**	**–**	**–**	**14,422**	**–**	**–**	**14,422**	11,858
Salaries and other expenses	**146,452**	**–**	**–**	**146,452**	**114,847**	**–**	**–**	**114,847**	**261,299**	**–**	**–**	**261,299**	244,862
Depreciation and amortization	**2,250**	**–**	**–**	**2,250**	**8,210**	**–**	**–**	**8,210**	**10,460**	**–**	**–**	**10,460**	10,456
Total library services	**163,124**	**–**	**–**	**163,124**	**123,057**	**–**	**–**	**123,057**	**286,181**	**–**	**–**	**286,181**	267,176
Fundraising and membership development	**796**	**–**	**–**	**796**	**7,107**	**–**	**–**	**7,107**	**7,903**	**–**	**–**	**7,903**	6,778
Management and general	**10,206**	**–**	**–**	**10,206**	**14,857**	**–**	**–**	**14,857**	**25,063**	**–**	**–**	**25,063**	23,257
Total operating expenses	**174,126**	**–**	**–**	**174,126**	**145,021**	**–**	**–**	**145,021**	**319,147**	**–**	**–**	**319,147**	297,211
Additions to collections *(Note 2)*	**–**	**–**	**–**	**–**	**15,325**	**–**	**–**	**15,325**	**15,325**	**–**	**–**	**15,325**	14,225
Total operating expenses and additions to collections	**174,126**	**–**	**–**	**174,126**	**160,346**	**–**	**–**	**160,346**	**334,472**	**–**	**–**	**334,472**	311,436
(Deficiency) excess of operating support and revenues and reclassifications over operating expenses and additions to collections	**(4,189)**	**1,167**	**–**	**(3,022)**	**(4,766)**	**(88)**	**–**	**(4,854)**	**(8,955)**	**1,079**	**–**	**(7,876)**	(8,470)
Non-operating support, revenues, gains and losses													
Gain from sale of donated art properties not capitalized *(Note 2)*	**–**	**–**	**–**	**–**	**517**	**–**	**–**	**517**	**517**	**–**	**–**	**517**	5,000
Additions to permanently restricted net assets	**–**	**–**	**23**	**23**	**–**	**–**	**25,442**	**25,442**	**–**	**–**	**25,465**	**25,465**	12,710
Unrestricted bequests and funds designated for long-term investment	**–**	**–**	**–**	**–**	**97,587**			**97,587**	**97,587**			**97,587**	605
Asset retirement obligations *(Note 2)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	(1,480)
Investment return earned in excess of (less than) amounts used for operations *(Note 5)*	**(667)**	**(1,654)**	**–**	**(2,321)**	**(28,112)**	**(35,638)**	**296**	**(63,454)**	**(28,779)**	**(37,292)**	**296**	**(65,775)**	108,121
Postretirement benefit-related changes other than net periodic benefit cost	**(661)**	**–**	**–**	**(661)**	**(442)**	**–**	**–**	**(442)**	**(1,103)**	**–**	**–**	**(1,103)**	–
Re-designation of net assets *(Note 2)*	**2,483**	**(2,159)**	**(324)**	**–**	**8,822**	**(5,808)**	**(3,014)**	**–**	**11,305**	**(7,967)**	**(3,338)**	**–**	–
Change in net assets before change in value of interest rate swaps and effect of adoption of recognition provisions of FASB Statement 158 in 2007	**(3,034)**	**(2,646)**	**(301)**	**(5,981)**	**73,606**	**(41,534)**	**22,724**	**54,796**	**70,572**	**(44,180)**	**22,423**	**48,815**	116,486
Change in value of interest rate swaps	**–**	**–**	**–**	**–**	**(4,512)**	**–**	**–**	**(4,512)**	**(4,512)**	**–**	**–**	**(4,512)**	(701)
Change in net assets before effect of adoption of recognition provisions of FASB Statement 158 in 2007	**(3,034)**	**(2,646)**	**(301)**	**(5,981)**	**69,094**	**(41,534)**	**22,724**	**50,284**	**66,060**	**(44,180)**	**22,423**	**44,303**	115,785
Effect of adoption of recognition provisions of FASB Statement 158 in 2007 (*Notes 2 and 8*)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	(26,656)
Change in net assets	**(3,034)**	**(2,646)**	**(301)**	**(5,981)**	**69,094**	**(41,534)**	**22,724**	**50,284**	**66,060**	**(44,180)**	**22,423**	**44,303**	89,129
Net assets (deficit) at beginning of year	**(64,329)**	**65,085**	**14,387**	**15,143**	**185,014**	**231,715**	**355,563**	**772,292**	**120,685**	**296,800**	**369,950**	**787,435**	698,306
Net assets (deficit) at end of year	**$ (67,363)**	**$ 62,439**	**$ 14,086**	**$ 9,162**	**$254,108**	**$190,181**	**$378,287**	**$822,576**	**$186,745**	**$252,620**	**$392,373**	**$831,738**	$787,435

See accompanying notes.

The New York Public Library,
Astor, Lenox and Tilden Foundations

Statements of Cash Flows

(In Thousands of Dollars)

	Year Ended June 30 2008	2007
Cash flows from operating activities		
Change in net assets	**$ 44,303**	$ 89,129
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net change in unrealized depreciation (appreciation) of investments	**79,160**	(83,638)
Net realized gains on sales of investments	**(46,993)**	(55,052)
Effect of adoption of recognition provisions of FASB Statement 158	**–**	26,656
Depreciation and amortization	**10,460**	10,456
Deferred rent expense	**2,541**	–
Net change in value of interest rate swaps	**4,512**	701
Gain from sale of donated art properties not capitalized	**(517)**	(5,000)
Contributions and other revenues restricted to acquisition of long-lived assets	**(4,972)**	(4,574)
Permanently restricted contributions	**(25,465)**	(12,710)
Permanently restricted investment income	**(296)**	(16,162)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables, except for contributions receivable restricted to permanent investment and long-lived assets	**(95,990)**	14,765
(Increase) decrease in other assets	**(490)**	177
Increase in accounts payable, accrued expenses, other liabilities and accrued postretirement benefits	**18,769**	6,409
(Decrease) increase in deferred revenue	**(21,977)**	24,107
Net cash used in operating activities	**(36,955)**	(4,736)
Cash flows from investing activities		
Investment in fixed assets	**(12,159)**	(1,890)
Proceeds from sale of fixed assets	**–**	420
Proceeds from sale of donated art properties not capitalized	**517**	5,000
Purchases of investments	**(252,638)**	(140,749)
Proceeds from sales of investments	**271,708**	139,022
Net cash provided by investing activities	**7,428**	1,803
Cash flows from financing activities		
Increase in contributions receivable restricted to permanent investment and acquisition of long-lived assets	**(6,753)**	(458)
Contributions and other revenues restricted to acquisition of long-lived assets	**4,972**	4,574
Permanently restricted contributions	**25,465**	12,710
Permanently restricted investment income	**296**	16,162
Principal payments on long-term borrowings	**(3,310)**	(2,800)
Net cash provided by financing activities	**20,670**	30,188
Net (decrease) increase in cash and cash equivalents	**(8,857)**	27,255
Cash and cash equivalents at beginning of year	**149,065**	121,810
Cash and cash equivalents at end of year	**$ 140,208**	$ 149,065
Supplemental disclosures		
Long-term contributions receivable restricted for acquisition of property	**$ 2,486**	$ 968
Income taxes paid	**$ 787**	$ 788

See accompanying notes.

1. The Library

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 85 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 principally by private sources and investment income.

The Library is a Section 501(c)(3) organization, exempt from Federal income taxes under Section 501(a) of the U.S. Internal Revenue Code (the "Code"), and has been classified as an organization that is not a private foundation as defined in Section 509(a)(1) of the Code. In addition, the State and City have classified the Library as not-for-profit in character and, as such, it is exempt from payment of income taxes to the State and City. The Library qualifies for the maximum charitable contribution deduction by donors.

2. Summary of Significant Accounting Policies

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Library, the Library's accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds according to their nature and purpose. In the financial statements, funds that have similar characteristics have been combined into three net asset categories: permanently restricted, temporarily restricted and unrestricted.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Library to expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

2. Summary of Significant Accounting Policies (continued)

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Library to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Library.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. As reflected in the accompanying balance sheets, the Library's Board of Trustees has designated a portion of the unrestricted net assets of The Research Libraries and Library-wide Programs for long-term investment purposes (i.e., to function as endowment) and future expenditures, and management may earmark a portion of the net assets for the following year's operations. The portion of unrestricted net assets of the Research Libraries and Library-wide Programs designated for long-term investment includes certain unrestricted bequests in excess of an authorized amount appropriated for operations, proceeds from sale of certain assets (such as proceeds from sale of art properties), and unrestricted appreciation on permanently restricted endowment funds in excess of the amount authorized for spending. At June 30, 2008 and 2007, these amounts totaled $326,361 and $247,547, respectively. These amounts exclude the cumulative charge to unrestricted net assets relating to the Library's obligation under FASB Statement 158 (see Note 8).

Revenue Recognition

The Library records appropriations, grants and earned revenues (e.g., fines, royalties and other revenues) on an accrual basis; investment income is recognized in accordance with policies enumerated below. In addition, the Library records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give, certain contributed rent, energy and other services, and gifts of long-lived and other assets (exclusive of collection items). Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Substantially all of the Library's grants and appropriations are considered to be contributions, some of which are conditional, for purposes of applying revenue recognition policies. Contributions are recorded net of estimated uncollectible amounts.

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

The Library occupies the Humanities and Social Sciences Library Building at Fifth Avenue and 42nd Street and certain branch libraries under rent-free arrangements with the City and the State. The City pays the utility costs (heat, light and power) of properties occupied by the Library. Except for the Library for the Performing Arts, where the Library pays the utility costs directly as part of its general services expense and is subsequently reimbursed by the City (amounting to $765 for fiscal year 2008), the revenues to fund these expenditures are recorded by the Library as contributed rent, energy and other services, offset by equal charges to the appropriate expense category.

The following amounts have been included in contributed rent, energy and other services and expense for the year ended June 30, 2008:

	Rent	Heat, Light and Power	Total
The Branch Libraries	$21,058	$5,594	$26,652
The Research Libraries and Library-wide Programs	33,194	2,397	35,591
Total	$54,252	$7,991	$62,243

Amounts paid directly by the City from its capital budget appropriations to third-party vendors for certain equipment and for improvements to City-owned properties occupied by the Library are not recorded by the Library. In fiscal 2008, such amounts were approximately $6,903.

Temporarily Restricted Contributions

The Library records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions (see Note 12). It is the Library's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class.

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Contributions or other revenues that the donor or grantor requires to be used to acquire long-lived assets (e.g., buildings, building improvements, furniture, fixtures and equipment) are reported as temporarily restricted. Once the long-lived assets have been acquired and placed in service, the Library reflects the expiration of the donor-imposed restriction over the useful life of the long-lived asset as a reclassification included in net assets released from restrictions.

Investments

The Library's policy is to invest, directly and indirectly through various investment vehicles, in domestic and international equity and debt securities, other investments that are not readily marketable, and real estate holdings. In connection with its investing activity, the Library participates indirectly in securities lending, short sales of securities, and trading in futures contracts, options and forward foreign currency contracts.

The Library's long-term investments are carried as follows:

- Marketable securities, mutual fund holdings and investments related to split interest agreements are carried at fair value (quoted market value).

- Alternative investments are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Fair value of the alternative investments is determined by management based on information provided by the investment manager. Values may be based on estimates that require varying degrees of judgment for investments where readily available fair values do not exist. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors.

- Investments in real estate are carried at the lower of cost or appraised fair value.

2. Summary of Significant Accounting Policies (continued)

Certain of the Library's long-term investments are pooled to facilitate their management. Investment income is allocated among unrestricted, temporarily restricted and permanently restricted net asset subfunds, based on donor restrictions or the absence thereof, using the market value unit method. During 2008, the Library made certain reclassifications of income earned in prior periods on its long-term investments between the various net asset classes to appropriately reflect the market value of subfunds participating in the investment pool.

The Library manages its long-term investments, except for real estate investments and investments relating to split interest agreements, on a total return basis. To preserve the investments' long-term purchasing power, the Library makes available to be spent each year a percentage of the average market value of the long-term investment portfolio for the three preceding years as authorized by the Library's Board of Trustees, to fund operations of the Library. Any excess is reinvested. The spending rate approved by the Library's Board of Trustees was 5% and 5.75% in 2008 and 2007, respectively.

Investment income, including net realized and unrealized gains that are available for spending from long-term investments, equal to the aggregate authorized spending amount, is recognized as operating revenue. Investment income earned in excess of (or less than) the aggregate authorized spending amount is recognized as non-operating investment return.

Split Interest Agreements

The Library has an interest in certain irrevocable charitable gift annuities and pooled income funds administered by a third party valued at approximately $7,623 and $8,397 at June 30, 2008 and 2007, respectively, in the accompanying balance sheets.

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. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) the Library's aggregate authorized spending rate, the gain (loss) on interest rate swaps, contributions to permanently restricted net assets, gain from the sale of donated art properties, the provision for asset retirement obligations, and certain unrestricted bequests and funds designated by the Library's Board of Trustees for long-term investment are recognized as non-operating revenues, support, gains and losses.

2. Summary of Significant Accounting Policies (continued)

Operating Expenses

The costs of providing library services and other activities have been summarized in the accompanying statement of activities. Management and general expenses for The Research Libraries and Library-wide Programs include costs of certain executive functions that benefit both the Research and Branch Libraries, but are not allocated to The Branch Libraries. These costs were approximately $1,922 and $1,857 in fiscal 2008 and 2007, respectively.

Fundraising and Development

Fundraising activities of the Library include working with program staff to develop statements of need for private fundraising; soliciting contributions for those needs and for the Annual Fund from individuals, corporations and foundations; and conducting special fundraising events (the cost of which was approximately $1,287 and $1,084 in fiscal 2008 and 2007, respectively). Revenues raised from special fundraising events were $6,252 and $5,589 in fiscal 2008 and 2007, respectively. The portion of the costs of these events that provided a direct benefit to donors was $196 and $225 in fiscal 2008 and 2007, respectively. Membership development activities consist of outreach efforts to secure membership contributions and create awareness of the Library and its programs. These efforts were facilitated by direct mail, the cost of which was approximately $1,285 and $1,230 in fiscal 2008 and 2007, respectively. Fundraising costs are expensed as incurred.

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 and is included in the accompanying balance sheets in accounts payable, accrued expenses, and other 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.

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Fixed Assets

Land, building, significant building and leasehold improvement projects and equipment expenditures in excess of $25 are capitalized. Depreciation and amortization of building, building improvements and equipment are provided over the estimated useful lives, which range from 5 to 40 years, on the straight-line basis, and are recognized as an operating expense. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvement.

Fixed asset activities reflect expenses incurred on certain construction and renovation projects for City-owned properties in which the Library acts as general contractor on behalf of the City. Pursuant to the pertinent contracts, the Library is reimbursed for substantially all of the expenses it incurs. These expenditures and reimbursements, which approximated $6,212 and $1,793 in fiscal 2008 and 2007, respectively, are included in the accompanying statement of activities and are not capitalized by the Library.

Collections

The Library has extensive 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 in the year purchased and donated collection items are not recorded. The value of the Library's collections cannot be determined. The Library has also received certain donated art properties that are not considered a part of its collections, and that have not been capitalized. During fiscal years 2008 and 2007, the Library sold certain properties of art. The Library's Board of Trustees has designated such proceeds for long-term investment with earnings thereon to support additions to collections in The Research Libraries. 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.

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

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 of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Cash and Cash Equivalents

The Library considers highly liquid investments purchased with a maturity of three months or less, other than those held in the Library's long-term investment portfolio, to be cash equivalents. The fair value of cash and cash equivalents approximates their carrying value. The majority of cash and cash equivalents are held with one financial institution.

Deferred Revenue

During the years ended June 30, 2008 and 2007, the Library received an advance of $98,913 and $121,416, respectively, from the City to be used for fiscal 2008 and 2007 operations, respectively. These amounts are reflected as deferred revenue at June 30, 2008 and 2007. In addition, during fiscal 2008, the Library received payments on certain State grants in advance of incurring expenses, which are also included in deferred revenue at June 30, 2008.

Derivative Instruments

The Library follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS Nos. 133 and 149 require that all derivative financial instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. The Library uses derivative instruments (interest rate swaps) to manage its exposure to long-tem debt (see Note 9). The fair value of the interest rate swaps and changes therein are included in the accompanying financial statements and are based upon discounted expected future cash flows based on current economic indicators.

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Asset Retirement Obligations

The Library follows the provisions of Financial Accounting Standards Board ("FASB") Interpretation 47 ("FIN 47"), *Accounting for Conditional Asset Retirement Obligations – an interpretation of SFAS No. 143*. FIN 47 clarifies that the term conditional asset retirement obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and or method of settlement are conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. Accordingly, the Library is required to recognize a liability for the fair value of legally required asset retirement obligations associated with long-lived assets in the period in which the retirement obligations are incurred, generally upon acquisition, construction, or development, and or through the normal operation of the asset for the fair value of the conditional asset retirement obligations, if the fair value of the liability can be reasonably estimated.

The Library occupies several Library-owned, City-owned and leased buildings for which it is legally required to handle and dispose of certain hazardous materials (e.g., asbestos) in a special manner if the buildings undergo major renovations. Otherwise, the Library is not legally required to remove these materials from the buildings. The Library has recognized a liability of $1,650 and $1,563 as of June 30, 2008 and 2007, respectively, for certain hazardous materials costs pertaining to certain Library-owned buildings. For City-owned facilities, the Library believes that the City will reimburse all costs incurred in connection with asset retirement obligations.

Accounting for Uncertainty of Income Taxes

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), which is effective for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. This interpretation prescribes a comprehensive model for how an entity should recognize, measure, present and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return.

2. Summary of Significant Accounting Policies (continued)

The impact to the Library of adoption was immaterial.

Postretirement Benefits Other Than Pensions

The Library follows the provisions of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("Statement 158"). Statement 158 requires the plan sponsor of a defined benefit pension and other postretirement benefit plans (collectively, "postretirement benefit plans") to recognize the funded status of their postretirement benefit plans on the balance sheet, measure the fair value of plan assets and benefit obligations as of the date of the fiscal year-end balance sheet and provide additional disclosures. The funded status of the Library's postretirement benefit plans and changes therein are included in the accompanying financial statements.

New Accounting Pronouncement

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("Statement 157"). Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 applies to financial statements issued for fiscal years beginning after November 15, 2007. The impact for the Library, if any, of the adoption of Statement 157, is under evaluation.

Related Party Transactions

During the normal course of business, the Library occasionally engages in transactions with entities with which members of its Board of Trustees may be affiliated. The Library's Board of Trustees has a policy to require Trustees to disclose such affiliations and to review and authorize such transactions, as appropriate.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

2007 Summarized Financial Information

The accompanying statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Library's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

3. Receivables

At June 30, receivables (net) are due from the following:

	2008	**2007**
City of New York (construction receivables)	**$ 3,853**	$ 3,330
City of New York – other	**1,682**	1,545
State of New York	**9,230**	8,439
Promises to give from individuals, corporations and foundations	**126,940**	26,258
Other	**4,639**	4,029
Total receivables, net	**$146,344**	$ 43,601

(In Thousands of Dollars)

3. Receivables (continued)

Receivables, net of estimated uncollectible amounts and, for promises to give, net of discount (at rates ranging from 3.8% to 5.9% as of June 30, 2008 and 2007), to present value of approximately $22,007 and $4,111 as of June 30, 2008 and 2007, respectively, are due to be collected as follows at June 30:

	2008	**2007**
Within one year	**$ 59,117**	$ 26,634
One to five years	**90,262**	14,837
Greater than five years	**5,965**	2,130
Total	**$146,344**	$ 43,601

Included in promises to give in fiscal 2008 is approximately $91,976 of donor unrestricted commitments that have been designated by the Board of Trustees as funds functioning as endowment. Also included in promises to give is approximately $1,583 for exhibitions and programs ($1,691 in fiscal 2007), approximately $22,209 and $16,973 in fiscal 2008 and 2007, respectively, of permanently restricted contributions, and approximately $8,687 and $6,626 in 2008 and 2007, respectively, of other restricted amounts. The Library also had promises to give of approximately $2,485 and $968 in fiscal 2008 and 2007, respectively, for funds restricted to long-lived assets.

The Library has received conditional promises to give of approximately $36,555 and $41,932 in fiscal 2008 and 2007, respectively, in the form of specific bequests and matching grants that have not been reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met. In addition, the Library has certain cost reimbursement contracts totaling approximately $1,706 and $905 as of June 30, 2008 and 2007, respectively, which are not reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met.

Construction receivables consist of billed and unbilled amounts to be reimbursed by the City for construction projects in progress, under pertinent agreements. The Library has executed agreements for substantially all such receivables at June 30, 2008.

(In Thousands of Dollars)

4. Assets Restricted As to Use

Assets restricted as to use primarily consist of amounts restricted for debt service and other debt-related matters, building construction costs, and the costs of certain collection items purchased for the Research Libraries that are reimbursable under the terms of the Series 1999 bond agreement (see Note 9). Such amounts are invested in U.S. Treasury notes and investment grade obligations that are carried at quoted market value, which approximates cost. The carrying value of assets restricted as to use is classified as follows at June 30:

	2008	**2007**
Construction fund	**$ –**	$ 2,112
Debt service fund	**3,829**	3,846
Total	**$ 3,829**	$ 5,958

5. Investments

The components of the Library's long-term investment portfolio at June 30 were as follows:

	2008		**2007**	
	Carrying Value	**Cost**	**Carrying Value**	**Cost**
Common stocks	**$ 120,141**	**$ 122,865**	$ 145,768	$ 117,001
Commingled bond funds	**98,097**	**90,087**	64,412	63,638
Limited partnerships – public investments	**467,892**	**297,685**	471,171	250,646
Limited partnership – private investments	**47,492**	**48,409**	39,820	37,635
Mutual funds	**7,445**	**7,008**	8,247	7,163
Short-term investments	**12,718**	**13,556**	73,475	73,475
Total	**$ 753,785**	**$ 579,610**	$ 802,893	$ 549,558

(In Thousands of Dollars)

5. Investments (continued)

Limited partnerships – public investments include interests in limited partnerships and limited liability corporations that invest principally in publicly-traded equities and corporate bonds and many employ both long and short strategies. These interests have varying degrees of liquidity, generally ranging from 30 days to one year.

Limited partnerships – private investments include interests in limited partnerships and limited liability corporations that invest principally in venture capital, private equity, and real estate. These interests generally have very limited liquidity. At June 30, 2008, the Library had outstanding commitments to provide capital to these interests of approximately $55,211.

Investments include $7,623 and $8,397 of assets relating to split interest agreements in 2008 and 2007, respectively.

The following schedule summarizes the Library's investment return and classification thereof in the accompanying statement of activities for the year ended June 30, 2008:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income, net of investment expenses of $7,536	$ (27)	$ (570)	$ –	$ (597)
Net realized gains	2,220	44,477	296	46,993
Net unrealized losses	(3,741)	(75,419)	–	(79,160)
Total return on investments	(1,548)	(31,512)	296	(32,764)
Investment return designated for current operations	27,231	5,780	–	33,011
(Deficiency) excess of investment return over amounts used for operations	$ (28,779)	$ (37,292)	$ 296	$(65,775)

Investment return on temporarily restricted net assets that is earned and expended in the same period is reflected in the unrestricted net asset class.

(In Thousands of Dollars)

6. Fixed Assets

Fixed asset balances at June 30 were as follows:

	2008	2007
Land	**$ 3,308**	$ 3,308
Buildings	**78,169**	78,169
Building improvements	**219,571**	210,243
Leasehold improvements	**1,668**	–
Equipment	**17,661**	24,275
	320,377	315,995
Less accumulated depreciation	**167,828**	165,216
	$ 152,549	$ 150,779

Fixed asset activities reflect expenditures for construction, renovations, the purchase of equipment and real estate owned by the Library, costs incurred to renovate or build out leased property, and expenditures incurred to renovate City and/or State-owned facilities that are privately funded. These expenditures are capitalized and reflected as fixed assets in the accompanying balance sheets. During fiscal 2008 and 2007, changes in the cost of fixed assets are summarized as follows:

Fixed assets, at cost, June 30, 2006	$ 314,525
Add 2007 capital expenditures	1,890
Less 2007 disposals	(420)
Fixed assets, at cost, June 30, 2007	315,995
Add 2008 capital expenditures	12,159
Less 2008 write-offs of fully depreciated fixed assets no longer in use	(7,777)
Fixed assets, at cost, June 30, 2008	$ 320,377

(In Thousands of Dollars)

6. Fixed Assets (continued)

The components of capital expenditures during fiscal 2008 and 2007 were as follows:

	2008	2007
Equipment purchases	**$ 1,163**	$ 207
Building improvements	**9,328**	1,683
Leasehold improvements	**1,668**	–
Total	**$12,159**	$ 1,890

7. Pensions and Postemployment Benefits

Substantially all of the Library's salaried employees are participants in the New York State and Local Employees' Retirement System ("NYSLERS"). NYSLERS 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 accrued at approximately $8,789 and $10,852 during the years ended June 30, 2008 and 2007, respectively.

Under a 1937 agreement between the Library and the City, the City is responsible for pension liabilities to NYSLERS for employees whose salaries are funded by the City. City funding for such liabilities is included in City appropriations.

For participants enrolled in NYSLERS prior to July 27, 1976, the Library contributes the total amount necessary to pay benefits when due. Participants who enrolled in NYSLERS on or after July 27, 1976 are required to contribute 3% of their gross salary, and the Library contributes the remaining amounts necessary to pay benefits when due. NYSLERS follows Government Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* ("GASB 25"). Under GASB 25, NYSLERS does not calculate a pension benefit obligation. In addition, NYSLERS does not provide the Library with certain other information required to be disclosed under SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*.

(In Thousands of Dollars)

7. Pensions and Postemployment Benefits (continued)

For additional information on NYSLERS, refer to the State of New York Comprehensive Annual Financial Report of the Comptroller for the fiscal year ended March 31, 2008.

The Library has recorded a liability of $8,195 and $7,963 at June 30, 2008 and 2007, respectively, related to its Service Credit Program (formerly, Terminal Leave Benefit) where it provides certain benefits to all employees based on certain age and service requirements. The liability is funded on a pay-as-you-go basis. The Library believes that, through future appropriations, the City will fund a significant portion of such benefits as they are paid to employees.

8. Postretirement Benefits Other Than Pensions

In addition to providing pension benefits, the Library provides certain postretirement health and supplemental benefits for retired employees. Substantially all of the Library's salaried employees may become eligible for those benefits if they reach normal retirement age while working for the Library.

The Library funds its postretirement benefits costs on a pay-as-you-go basis; however, for financial reporting purposes, the Library records these benefits as employees earn them by rendering service. The actuary for the postretirement benefits performed the computations required for financial statement disclosure as of June 30, 2008 and 2007. Employee data as of July 1, 2007 and 2006 were projected forward to the June 30, 2008 and 2007 measurement dates, respectively.

On June 30, 2007, the Library adopted the recognition and disclosure provisions of Statement 158. Statement 158 required the Library to recognize any gains or losses, prior service costs or credits, and transition assets or obligations that have not yet been included in net periodic pension cost as of June 30, 2007 in the ending balance of unrestricted net assets. The adjustment to net assets at adoption represents the net unrecognized actuarial losses and unrecognized prior service credit remaining from the initial adoption of Statement 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* ("Statement 106"), all of which were previously amortized in the Library's balance sheet pursuant to the provisions of Statement 106. These amounts are subsequently recognized as net periodic pension cost pursuant to the Library's historical accounting policy for amortizing such amounts. Under Statement 158,

(In Thousands of Dollars)

8. Postretirement Benefits Other Than Pensions (continued)

actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of the change in net assets. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in the change in net assets at adoption of Statement 158.

The incremental effects of adopting the provisions of Statement 158 on the Library's balance sheet at June 30, 2007 are presented in the following table:

	At June 30, 2007		
	Prior to Adopting Statement 158	**Effect of Adopting Statement 158**	**As Reported at June 30, 2007**
Accrued postretirement benefits	$89,365	$26,656	$116,021

The following table sets forth the changes in the postretirement benefit obligation and the impact of the adoption of Statement 158 in 2007:

	2008	**2007**
Accumulated postretirement obligation at beginning of year	**$ 116,021**	$ 96,726
Service cost	**3,742**	3,444
Interest cost	**7,866**	6,982
Participant contributions	**294**	230
Actuarial net loss	**2,478**	12,377
Benefits paid	**(4,159)**	(3,911)
Less: Federal subsidy on benefits paid	**132**	173
Accumulated postretirement obligation at end of year	**$ 126,374**	$ 116,021
Accrued postretirement benefits as reflected in the balance sheets	**$ 126,374**	$ 116,021

(In Thousands of Dollars)

8. Postretirement Benefits Other Than Pensions (continued)

Amounts recognized in changes in unrestricted net assets:

	2008	2007
Net losses	**$ 27,772**	$ 26,734
Prior service credit	**(13)**	(78)
Total	**$ 27,759**	$ 26,656

The expected amortization to be included in net periodic postretirement benefit cost for fiscal 2009 is as follows:

Net actuarial losses	$ 959
Prior service credit	(13)
	$ 946

Net periodic postretirement benefit cost for fiscal 2008 and 2007 includes the following components:

	2008	2007
Service cost	**$ 3,742**	$ 3,444
Interest cost	**7,866**	6,982
Net amortization and deferral	**1,375**	1,074
Net periodic postretirement benefit cost	**$ 12,983**	$ 11,500
Weighted-average assumptions used to determine benefit obligations as of June 30:		
Discount rate	**6.50%**	6.25%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	**6.50%**	6.25%

(In Thousands of Dollars)

8. Postretirement Benefits Other Than Pensions (continued)

The weighted average annual assumed rate of increase in the per capita cost of health care benefits (i.e., health care cost trend rate) begins at an initial rate of 9% and decreases gradually to 5% by 2016 and remains at that level thereafter. All other benefits are assumed to increase at an annual rate of 4%.

Assumed health care cost trend rates have a significant effect on the amounts reported for the plan. A 1% change in assumed health care cost trend rates would have the following effects as of June 30, 2008:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	$ 2,109	$ (1,775)
Effect on the postretirement benefit obligation	18,053	(15,797)

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"), was signed into law. The Act introduced a prescription drug benefit under Medicare. The employee obligations and postretirement costs in the financial statements reflect the effects of the Act.

Benefits expected to be paid, net of Medicare Part D subsidy, are as follows:

Fiscal Year Ending	Gross Benefit Payments	Gross Subsidy Receipts	Net Benefit Payment
2009	$ 5,019	$ (145)	$ 4,874
2010	5,593	(160)	5,433
2011	6,234	(175)	6,059
2012	6,820	(193)	6,627
2013	7,410	(211)	7,199
2014-2018	45,382	(1,307)	44,075

(In Thousands of Dollars)

8. Postretirement Benefits Other Than Pensions (continued)

A significant portion of the accrued postretirement benefit cost liability relates to Library employees whose positions are funded by appropriations from the City. The Library believes that, through future appropriations, the City will fund such postretirement benefits as they become due.

The Library also contributes to a Taft-Hartley trust that provides certain welfare benefits to active and eligible retired employees of the Library covered by a collective bargaining agreement in City-reimbursed positions. The Library records related expense as contributions are made. Total expense recognized under this plan was $3,143 and $3,473 in 2008 and 2007, respectively.

9. Long-Term Debt

In April 1999, the Dormitory Authority of the State of New York (the "Dormitory Authority") issued $117,635 in insured, tax-exempt adjustable rate bonds, the proceeds of which were loaned to the Library. A portion of the proceeds was used to advance refund and redeem outstanding debt and for various construction projects.

The Series 1999 Bonds are scheduled to mature on July 1, 2028 and consist of two tax-exempt components: the Series 1999A adjustable rate bonds (the "Series 1999A Bonds") in the amount of $82,075 and the Series 1999B adjustable rate bonds (the "Series 1999B Bonds") in the amount of $35,560. The Series 1999 Bonds were issued at an initial rate of 4% for the six-day initial rate period, after which they bear interest at a weekly rate based on the prevailing market conditions for bonds of the same general nature, unless and until they are converted to a fixed rate. The adjustable rate on the Series 1999 Bonds were 6.5% and 3.69% at June 30, 2008 and 2007, respectively.

In connection with the Series 1999A Bonds, the Library has a swap agreement, whereby the Library pays the swap counterparty a fixed rate of 3.852% on a notional amount equal to the principal amount outstanding on the Series 1999A Bonds at any time, in return for payments from the swap counterparty calculated at a rate equal to 54.5% of the 1-month British Bankers' Association LIBOR (United States Dollar), plus 0.31%. The Dormitory Authority is not a party to the agreement, and has no right to receive payments from, and no liability to make payments to, the counterparty. The fair value of the interest rate swap was a liability of approximately $5,136 and $2,412 at June 30, 2008 and 2007, respectively, and is reflected in interest rate swaps in the accompanying financial statements.

(In Thousands of Dollars)

9. Long-Term Debt (continued)

In connection with the Series 1999B Bonds, in August 2004, the Library entered into an interest rate swap agreement whereby the Library pays the swap counterparty a fixed rate of 2.00% on a notional amount equal to the principal amount outstanding at any time on the Series 1999B Bonds commencing on September 1, 2004 and ending on June 1, 2007, and 4.009% on the notional amount from July 1, 2007 through July 1, 2028. These payments are made in return for payments from the swap counterparty calculated at a rate equal to the lower of LIBOR or 1-month LIBOR, where LIBOR is equal to the greater of (a) 1-month LIBOR x 68.00% or (b) (1-month LIBOR x 56.00%) plus 0.44%. The Dormitory Authority is not a party to the agreement, and has no right to receive payments from, and no liability to make payments to, the counterparty. The fair value of the interest rate swap was a liability of approximately $2,241 and $453 at June 30, 2008 and 2007, respectively, and is reflected in interest rate swaps in the accompanying financial statements.

The gain or loss on swap obligations is recorded annually and is reported as a change in value of interest rate swaps in the accompanying statement of activities.

The carrying value of the Library's debt at June 30, 2008 and 2007 approximates its fair value.

The Library's debt is secured by a mortgage on the Library's condominium unit in the Science, Industry and Business Library building, certain gifts and grants received by the Library for its Annual Fund, and certain equipment and furnishings.

Outstanding long-term debt at June 30, all of which was borrowed through the Dormitory Authority, consisted of the following:

	2008	**2007**
Long-term debt consisting of loans of proceeds from the issuance by the Dormitory Authority of:		
Insured adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999A)	**$ 68,105**	$ 70,610
Insured adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999B)	**31,295**	32,100
	$ 99,400	$ 102,710

(In Thousands of Dollars)

9. Long-Term Debt (continued)

Aggregate maturities of long-term debt, including sinking fund requirements, are as follows at June 30, 2008:

2009	$ 3,470
2010	3,635
2011	3,805
2012	3,980
2013	4,150
Thereafter	80,360
Total	$ 99,400

For the years ended June 30, 2008 and 2007, interest expense and interest paid was approximately $4,524 and $3,647, respectively. Due to current economic conditions associated with insured variable rate demand bonds and the impact on interest cost, the Library is currently undergoing a restructuring of its bond obligations (see note 16).

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2008 and 2007:

	2008		
	The Branch Libraries	**The Research Libraries and Library-wide Programs**	**Total**
Program activities:			
The Branch Libraries Programs	**$ 10,989**	**$ –**	**$ 10,989**
The Research Libraries and Library-wide Programs:			
The Center for the Humanities and Social Sciences Library	–	**59,746**	**59,746**
Library for the Performing Arts	–	**40,192**	**40,192**
Science, Industry and Business Library	–	**3,927**	**3,927**
Schomburg Center for Research in Black Culture	–	**3,476**	**3,476**
Conservation and cataloging	–	**17,379**	**17,379**
Exhibitions and public education programs	–	**11,020**	**11,020**
Other – principally for the general operations of The Research Libraries	–	**37,255**	**37,255**
Funds restricted to long-lived assets (expended and unexpended)	**51,450**	**17,186**	**68,636**
Total	**$ 62,439**	**$ 190,181**	**$ 252,620**

(In Thousands of Dollars)

10. Temporarily Restricted Net Assets (continued)

	2007		
	The Branch Libraries	**The Research Libraries and Library-wide Programs**	**Total**
Program activities:			
The Branch Libraries Programs	$ 15,007	$ –	$ 15,007
The Research Libraries and Library-wide Programs:			
The Center for the Humanities and Social Sciences Library	–	79,357	79,357
Library for the Performing Arts	–	46,129	46,129
Science, Industry and Business Library	–	5,442	5,442
Schomburg Center for Research in Black Culture	–	4,264	4,264
Conservation and cataloging	–	20,742	20,742
Exhibitions and public education programs	–	13,115	13,115
Other – principally for the general operations of The Research Libraries	–	41,305	41,305
Funds restricted to long-lived assets (expended and unexpended)	50,078	21,361	71,439
Total	$ 65,085	$ 231,715	$ 296,800

11. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income is expendable to support the following at June 30, 2008 and 2007:

	2008		
	The Branch Libraries	**The Research Libraries and Library-wide Programs**	**Total**
Program activities:			
The Branch Libraries Programs	**$ 14,086**	**$ –**	**$ 14,086**
The Research Libraries and Library-wide Programs:			
The Center for the Humanities and Social Sciences Library	**–**	**163,645**	**163,645**
Library for the Performing Arts	**–**	**35,775**	**35,775**
Science, Industry and Business Library	**–**	**21,008**	**21,008**
Schomburg Center for Research in Black Culture	**–**	**8,299**	**8,299**
Conservation and cataloging	**–**	**16,486**	**16,486**
Exhibitions and public education programs	**–**	**14,316**	**14,316**
Other – principally for the general operations of The Research Libraries	**–**	**118,758**	**118,758**
Total	**$ 14,086**	**$ 378,287**	**$ 392,373**

(In Thousands of Dollars)

11. Permanently Restricted Net Assets (continued)

	2007		
	The Branch Libraries	**The Research Libraries and Library-wide Programs**	**Total**
Program activities:			
The Branch Libraries Programs	$ 14,387	$ –	$ 14,387
The Research Libraries and Library-wide Programs:			
The Center for the Humanities and Social Sciences Library	–	165,025	165,025
Library for the Performing Arts	–	35,636	35,636
Science, Industry and Business Library	–	21,887	21,887
Schomburg Center for Research in Black Culture	–	6,323	6,323
Conservation and cataloging	–	16,553	16,553
Exhibitions and public education programs	–	12,583	12,583
Other – principally for the general operations of The Research Libraries	–	97,556	97,556
Total	$ 14,387	$ 355,563	$ 369,950

12. Reclassification of Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors as follows for the year ended June 30, 2008:

	The Branch Libraries	**The Research Libraries and Library-wide Programs**	**Total**
Program activities:			
The Branch Libraries Programs	$ 1,681	$ –	$ 1,681
The Research Libraries and Library-wide Programs:			
The Center for the Humanities and Social Sciences Library	–	3,414	3,414
Library for the Performing Arts	–	1,478	1,478
Science, Industry and Business Library	–	58	58
Schomburg Center for Research in Black Culture	–	416	416
Conservation and cataloging	–	1,041	1,041
Exhibitions and public education programs	–	602	602
Other – principally for the general operations of The Research Libraries	–	2,855	2,855
Depreciation of long-lived assets	1,821	4,330	6,151
Total	$ 3,502	$ 14,194	$ 17,696

(In Thousands of Dollars)

13. Functionalization of Expenses (with Summarized Financial Information for the Year Ended June 30, 2007)

	Program Services			Supporting Services								
	Library Services			Fundraising and Membership Development			Management and General				Total All Funds	
	The Branch Libraries	The Research Libraries and Librarywide Programs	Total Program Services	The Branch Libraries	The Research Libraries and Librarywide Programs	Total Fundraising and Membership Development	The Branch Libraries	The Research Libraries and Librarywide Programs	Total Management and General	Total Supporting Services	2008	2007
Salaries	$ 66,605	$ 37,866	$104,471	$432	$2,750	$3,182	$ 4,634	$ 6,173	$10,807	$13,989	$118,460	$114,000
Fringe benefits	27,316	16,523	43,839	125	942	1,067	2,111	2,520	4,631	5,698	49,537	50,629
Books and library materials	14,422	–	14,422	–	–	–	–	–	–	–	14,422	11,858
Binding and conservation expenditures	724	928	1,652	–	–	–	–	21	21	21	1,673	1,651
Office-related expenditures	1,157	823	1,980	64	330	394	170	227	397	791	2,771	2,342
Equipment rental and maintenance	4,075	1,833	5,908	–	42	42	430	836	1,266	1,308	7,216	5,012
Telecommunications	986	444	1,430	–	4	4	55	67	122	126	1,556	1,876
Building renovations and related expenditures	14,231	8,910	23,141	–	72	72	267	272	539	611	23,752	16,399
Contributed services	26,652	35,591	62,243	–	–	–	–	–	–	–	62,243	58,354
Professional services	3,398	5,956	9,354	121	1,390	1,511	888	2,747	3,635	5,146	14,500	13,923
Promotional and special event expenses	329	702	1,031	54	1,518	1,572	259	366	625	2,197	3,228	2,812
Interest and accretion expense	722	3,503	4,225	–	–	–	59	328	387	387	4,612	3,730
Insurance expense	–	203	203	–	–	–	1,195	780	1,975	1,975	2,178	2,097
Other expenses	257	1,565	1,822	–	59	59	138	520	658	717	2,539	2,072
Total functional expenses before depreciation and amortization	160,874	114,847	275,721	796	7,107	7,903	10,206	14,857	25,063	32,966	308,687	286,755
Depreciation and amortization	2,250	8,210	10,460	–	–	–	–	–	–	–	10,460	10,456
Total expenses reported by function in the statement of activities	$163,124	$123,057	$286,181	$796	$7,107	$7,903	$10,206	$14,857	$25,063	$32,966	$319,147	$297,211

(In Thousands of Dollars)

14. Commitments and Contingencies

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 coverages, if any, would not have a material effect on the accompanying financial statements.

Insurance

The Library carries insurance for fire and extended coverage on Library property and comprehensive general liability insurance in amounts that it considers to be adequate. The Library generally carries insurance of $10,000 for objects of art (including borrowed works of art), and items of rarity or historic merit. The Library is self-insured for fire, theft and other losses for all other collection items. No provision has been made in the accompanying financial statements for any self-insurance reserve for these activities. In addition, the Library has a paid-loss program for its workers' compensation insurance program whereby it pays up to $250 per loss per year, not to exceed an annual aggregate limit of $1,500. A provision has been made in the accompanying financial statements for unpaid workers' compensation claims up to $250 per loss per year.

Collective Bargaining Agreement

At June 30, 2008, approximately 62% of the Library's employees are unionized and are employed under a collective bargaining agreement that expired on March 2, 2008. The City of New York and union officials are currently negotiating a new agreement. Once completed, negotiations will commence with the Library's respective unions.

Line of Credit

The Library has available an unsecured line of credit from a bank, in the amount of $15,000. The line of credit is available until cancelled by either party and carries an interest rate to be negotiated between the bank and the Library at the time of an advance. There were no amounts outstanding on the line at June 30, 2008 and 2007.

(In Thousands of Dollars)

14. Commitments and Contingencies (continued)

Leases

The Library's future minimum lease payments under noncancellable operating leases, in total and for each of the next five years, are as follows at June 30, 2008:

2009	$ 5,263
2010	5,572
2011	5,831
2012	5,945
2013	5,774
Thereafter	83,617
Total	$112,002

Various leases provide for increases in annual base rentals based on various expenses and other increases. Rent expense for fiscal years 2008 and 2007, excluding the value of rent for contributed space, was approximately $5,803 and $3,093, respectively.

Construction-Related Purchase Commitments

The Library has entered into construction-related purchase commitments of approximately $42,440 and $2,441 at June 30, 2008 and 2007, respectively.

15. Sale of Building

On November 5, 2007, the Library entered into an agreement to sell one of its buildings, which was fully depreciated at June 30, 2008. The Library expects to receive approximately $59,000 in cash, in addition to a condominium unit interest whose value has not been determined yet. The Library will own the condominium unit and intends to use it as a new Branch Library. The proceeds from the sale, beyond what will be needed for the new library, will be used to support the needs of other Branch Libraries and library-wide activities. Due to adverse conditions in the credit markets, the sale will not close on October 30, 2008, as scheduled. The Library does not presently know when the sale may close.

(In Thousands of Dollars)

16. Subsequent Events

In connection with its Series 1999 A and B insured adjustable rate bonds, due to the adverse economic conditions in the credit markets, and in particular, the impact of these conditions on the insurer of the Library's bonds, the Library is currently engaged in a process of terminating the insurance on the bonds and substituting a bank letter of credit, which will require a re-offering of the bonds. The existing interest rate swap agreements will remain in place. The transaction is expected to close by early December 2008.

Also due to the current economic conditions, the value of the Library's investments declined in value by approximately 12% between June 30, 2008 and September 30, 2008, primarily in domestic and global equities.