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

Financial Statements and Supplemental Schedules

June 30, 2010

(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

Independent Auditors' Report

The 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, 2010, 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.

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 of material misstatement. An audit includes 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, as well as 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 as of June 30, 2010, 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.

As described in note 3 to the accompanying financial statements, net assets as of June 30, 2009 have been restated from the Library's previously issued financial statements, which were audited by other auditors.

As described in note 2 to the accompanying financial statements, the Library has elected to change its method of accounting for net assets released from restrictions and for certain real estate used in its operations, in 2010.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Library taken as a whole. The supplemental information included in the Schedules 1 and 2 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

December 20, 2010

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

Balance Sheet

June 30, 2010

(In thousands of dollars)

Assets		
Cash and cash equivalents	$	85,481
Government and other receivables (note 5)		29,018
Contributions receivable, net (note 6)		107,756
Other assets		3,037
Funds held by bond trustee (notes 4 and 7)		3,849
Investments (notes 4 and 8)		678,390
Real estate investment used in operations (note 9)		1,084
Fixed assets, net (note 10)		306,501
Collections		
Total assets	$	1,215,116
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities (notes 11 and 16)	$	58,903
Deferred revenue – City of New York and other (note 17)		93,178
Long-term debt (note 13)		92,295
Interest rate swaps (notes 4 and 13)		13,501
Accrued postretirement benefits (note 12)		151,600
Total liabilities		409,477
Commitments and contingencies (notes 8, 13, and 16)		
Net assets (note 9):		
Unrestricted		202,889
Temporarily restricted (note 14)		202,775
Permanently restricted (note 14)		399,975
Total net assets		805,639
Total liabilities and net assets	$	1,215,116

See accompanying notes to financial statements.

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

Statement of Activities

Year ended June 30, 2010

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:				
City of New York	$ 138,414	—	—	138,414
State of New York	18,638	—	—	18,638
Federal government	927	—	—	927
Contributed rent and utilities	10,702	—	—	10,702
Private contributions and grants	27,836	1,894	—	29,730
Investment return appropriated for spending (note 8)	25,400	7,088	—	32,488
Fines, royalties, and other revenue	14,438	—	—	14,438
	236,355	8,982	—	245,337
Net assets released from restrictions	12,263	(12,263)	—	—
Total operating revenues	248,618	(3,281)	—	245,337
Operating expenses (note 15):				
Library services	210,905	—	—	210,905
Fundraising and membership development	7,966	—	—	7,966
Management and general	25,351	—	—	25,351
Total operating expenses	244,222	—	—	244,222
Additions to research collections	11,109	—	—	11,109
Total operating expenses and additions to research collections	255,331	—	—	255,331
Change in net assets from operating activities	(6,713)	(3,281)	—	(9,994)
Nonoperating activities:				
Endowment contributions	—	—	12,251	12,251
Funds designated for long-term investment	14,698	11,792	—	26,490
Capital appropriations – City of New York	23,127	—	—	23,127
Capital appropriations – State of New York	9,178	—	—	9,178
Capital contributions	—	2,034	—	2,034
Depreciation and amortization (note 15)	(18,570)	—	—	(18,570)
Investment return, net of amounts appropriated (note 8)	22,961	6,055	(4,334)	24,682
Postretirement benefits changes other than net periodic benefit cost (note 12)	3,826	—	—	3,826
Change in value of interest rate swaps	(2,077)	—	—	(2,077)
Net assets released from restrictions for capital and contributions receivable released from time restrictions and board designated for long-term investment	27,397	(27,397)	—	—
Change in donor designation	1,801	(772)	(1,029)	—
Change in net assets from nonoperating activities	82,341	(8,288)	6,888	80,941
Change in net assets	75,628	(11,569)	6,888	70,947
Net assets at beginning of year, as restated (notes 2 and 3)	127,261	214,344	393,087	734,692
Net assets at end of year	$ 202,889	202,775	399,975	805,639

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2010

(In thousands of dollars)

Cash flows from operating activities:		
Change in net assets	$	70,947
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments		(61,543)
Depreciation and amortization		18,570
Deferred rent expense		802
Postretirement benefits changes other than net periodic benefit cost		(3,826)
Change in value of interest rate swaps		2,077
Capital contributions, grants, and appropriations		(34,339)
Endowment contributions		(12,251)
Permanently restricted investment income, net of expenses		12
Changes in operating assets and liabilities:		
Receivables, except for contributions and other receivables restricted for investment in endowment and capital projects		18,291
Other assets		(300)
Accounts payable and accrued liabilities		(2,428)
Accrued postretirement benefits		10,691
Deferred revenue		(34,616)
Net cash used in operating activities		(27,913)
Cash flows from investing activities:		
Purchases of investments		(172,142)
Proceeds from sales of investments		145,215
Purchases of fixed assets		(47,503)
Change in accounts payable and accrued liabilities relating to fixed assets		(9,649)
Net cash used in investing activities		(84,079)
Cash flows from financing activities:		
Change in contributions and other receivables restricted for investment in endowment and capital projects		16,355
Capital contributions, grants, and appropriations		34,339
Endowment contributions		12,251
Permanently restricted investment income, net of expenses		(12)
Principal payments on long-term debt		(3,635)
Net cash provided by financing activities		59,298
Net decrease in cash and cash equivalents		(52,694)
Cash and cash equivalents at beginning of year		138,175
Cash and cash equivalents at end of year	$	85,481
Supplemental disclosures:		
Unrelated business income taxes paid	$	172
Interest paid		3,437

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 86 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 tax-exempt organization, qualified under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and has been classified as a public charity under Section 509(a)(1) of the Code. The Library is exempt from Federal, State, and City income taxes, except for taxation on a limited amount of unrelated business taxable income. The State and City have classified the Library as not-for-profit in character.

(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.

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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 expended in the same accounting period in the unrestricted net asset class.

(c) 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.

(d) Contributions

Contributions, including unconditional promises to give (pledges), are recorded as revenue in the period received or pledged. Conditional contributions are recognized as revenue when the conditions on which they depend are substantially met. Contributions are recorded at fair value, and in the case of pledges, net of estimated uncollectible amounts, and discounted if due in over one year.

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.

(e) Change in Accounting Principle

The Library reports contributions restricted by donors to acquire fixed assets as temporarily restricted net assets. Prior to fiscal 2010, the Library reflected the expiration of such donor-imposed purpose restrictions as the acquired assets were depreciated. In fiscal 2010, the Library changed its accounting policy to reflect the expiration of these donor-imposed restrictions when the donor restricted funds are expended and the acquired fixed assets are placed in service, which the Library considers to be preferable. The change resulted in a retrospective adjustment of $92,978 decreasing temporarily restricted net assets and increasing unrestricted net assets as of June 30, 2009. This change had no impact on the Library's total net assets as of June 30, 2009.

In addition, in 1962, the Library purchased an investment in real estate with board-designated endowment funds and subsequently placed it in use as a library. Prior to fiscal 2010, the Library classified the asset as a real estate investment and carried it at cost of $15,521. During 2010, the Library determined that it is preferable to account for this asset as an operating asset to better reflect its use (note 9). As a result, the Library changed its accounting, and recorded a retrospective adjustment decreasing unrestricted net assets and total net assets by $14,437 to reflect the full accumulated depreciation of the asset as of June 30, 2009. The remaining balance of $1,084 represents the estimated cost of the land, which is not a depreciable asset.

(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 (note 3). The Library did not receive contributed properties during fiscal year 2010. 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 Rent and Utilities

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 subsequently reimbursed by the City (amounting to $765 for fiscal year 2010), the Library reports contributed utilities revenue for these transactions, offset by equal charges to the appropriate expense category. During the year ended June 30, 2010, the Library recognized revenues and expenses totaling $8,781 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 year ended June 30, 2010, the Library recognized revenues and expenses totaling $1,921 for contributed rent.

(h) Fundraising and Membership Development

Fundraising and membership development expenses were $7,966 for the year ended June 30, 2010. The Library's fundraising and membership development activities 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; 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 $5,225 for the year ended June 30, 2010 and are included in private contributions and grants in the accompanying statement of activities. The costs for these events totaled approximately $1,211 for the same period and are included in fundraising and membership development in the accompanying statement of activities. The portion of the costs of these events that provided a direct benefit to donors was $178 in fiscal year 2010. 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) 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. Endowment contributions, certain unrestricted bequests and funds designated by the Library's Board of Trustees for long-term investment, capital contributions, grants and appropriations, depreciation and amortization, investment return, net of amounts appropriated for spending pursuant to the Library's endowment spending policy (notes 8 and 9), postretirement benefit changes other than net periodic benefit cost, the change in value of interest rate swaps, and other non-recurring items are recognized as nonoperating activities.

(k) Investments

Investments with readily determinable fair values are reported at fair value based upon quoted market prices. Alternative investments, which include commingled investment funds, hedge funds, and private market funds, are reported at estimated fair value based on, as a practical expedient, net asset values (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.

Realized and unrealized gains and losses on investments, as well as dividends, interest, and other investment income, unless temporarily or permanently restricted by a donor's explicit stipulation or by law, are recorded as changes in unrestricted net assets.

(l) 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 fair value of cash and cash equivalents approximates their carrying value and is classified as Level 1 in the fair value hierarchy. The majority of cash and cash equivalents are held with one financial institution.

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(m) 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, currently 3.2%, and other changes in the estimates of future benefits. The liabilities for beneficiary payments in the amount of $4,996 are included in accounts payable and accrued liabilities. Assets related to the split-interest agreements amounted to $6,087 at June 30, 2010, and are included in investments in the accompanying balance sheet.

(n) 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 to third-party vendors for certain capital improvements made to City-owned properties occupied by the Library, which are managed directly by the City, are not recorded by the Library.

(o) 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.

(p) 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.

(q) Deferred Revenue

During the year ended June 30, 2010, the Library received an advance of $71,915 from the City to be used for fiscal 2011 operations. This amount is reflected as deferred revenue at June 30, 2010. In addition, the Library received payments on certain State grants in advance of incurring expenses and deposits relating to the sale of one of its buildings (note 17), which are also included in deferred revenue at June 30, 2010.

(r) Derivative Instruments

The Library uses derivative instruments (interest rate swaps) to manage its exposure to the interest rate fluctuation on its long-term debt (note 13). The Library reports derivative instruments at fair value. The fair value of the derivatives held is estimated by management based upon values provided by third-party financial institutions.

(s) 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 fair value of the Library's asset retirement obligations was $2,450 at June 30, 2010 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.

(t) 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

(Continued)

(In thousands of dollars)

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 year ended June 30, 2010.

(u) 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 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 interest rate swaps, fair value of properties provided by the City and State, and postretirement benefit obligations and related costs. Actual results could differ from those estimates.

(v) 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, 2010, 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.

(w) Subsequent Events

In conjunction with the preparation of the financial statements, the Library evaluated subsequent events from July 1, 2010 through December 20, 2010, the date on which the financial statements were issued, and has concluded that there are no further disclosures required, except as discussed in note 17.

(3) Restatement

During fiscal year 2010, the Library identified certain adjustments that required restatement of the previously recorded net assets at June 30, 2009, which are presented below:

Unrestricted net assets at June 30, 2009, as previously reported	$	(34,923)
Adjustments:		
(a) Capitalization of City-owned properties and improvements		86,942
(b) Vacation liabilities for City-funded staff		(8,213)
(c) Other		4,914
Unrestricted net assets at June 30, 2009, as restated	$	48,720

(a) Under certain arrangements between the Library and the City and/or State, the City and State provide properties to the Library for its long-term use for as long as the Library uses these properties as operating libraries. The City and/or State maintain legal title to these properties. The Library has restated its net assets at June 30, 2009, to reflect the fair value of the contributed use of long-lived assets as fixed assets, as well as the related capital improvements made to those assets that were funded by the City and/or State. The use of these properties had previously been recorded by the Library as contributed rent and expense on an annual basis, with any related capital improvement funded by the City and/or State being expensed.

(b) The Library did not previously recognize a liability for vacation benefits earned by City-funded staff. As such, the Library restated its net assets at June 30, 2009 to record this accrual.

(c) The Library restated its net assets at June 30, 2009 to remove unamortized bond issuance costs of $1,352 related to the reoffered debt (note 13). In addition, management also restated its net assets at June 30, 2009 to correct for errors in the calculation of depreciation related to buildings and improvements in the amount of $6,266.

(4) Fair Value Measurements

At June 30, 2010, the carrying values of the Library's cash and cash equivalents, government and other receivables, other assets, accounts payable and accrued liabilities, and deferred revenue approximated their fair values because of their short-term nature.

Assets and liabilities, which are reported at fair value on a recurring basis of the Library, are investments, funds held by bond trustee, and interest rate swaps.

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 (unadjusted) in active markets for identical assets or liabilities that the Library has the ability to access at measurement date.

Level 2 inputs are inputs 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 inputs 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.

(In thousands of dollars)

With respect to those investments reported at estimated fair value based upon NAVs provided by investment managers, classification in Level 2 or 3 is based on the Library's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2.

The Library's assets and liabilities that are reported at fair value on an annual basis are summarized in the following table by their fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Managed accounts:				
Short-term investments	$ 69,220	—	—	69,220
Domestic common stocks	45,557	—	—	45,557
Corporate bonds	20,888	—	—	20,888
Commingled investment funds:				
Domestic equity funds	—	46,422	—	46,422
Global/international equity funds	—	152,624	8,035	160,659
Fixed income funds	—	28,706	—	28,706
Hedge funds:				
Long/short equity funds	—	56,342	73,717	130,059
Multi-strategy funds	—	19,773	81,840	101,613
Commodity-related funds	—	17,694	—	17,694
Private market funds:				
Venture capital	—	—	7,896	7,896
Private equity	—	—	37,521	37,521
Real estate	—	—	12,155	12,155
Total investments	$ 135,665	321,561	221,164	678,390
Other assets:				
Funds held by bond trustee	—	3,849	—	3,849
Total assets	$ 135,665	325,410	221,164	682,239
Liabilities – interest rate swaps		$ 13,501		13,501

(In thousands of dollars)

The following table presents the Library's activity for the fiscal year ended June 30, 2010 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Commingled investment funds	Hedge funds	Private market funds	Total
Beginning balance, June 30, 2009	$ 55,956	120,176	48,655	224,787
Transfer from level 3 to level 2	(49,544)	—	—	(49,544)
Acquisitions	—	35,000	11,193	46,193
Dispositions	(22)	(21,306)	(6,182)	(27,510)
Realized and unrealized gains	1,645	21,687	3,906	27,238
Ending balance, June 30, 2010	$ 8,035	155,557	57,572	221,164

Unrealized gains amounted to $21,175 for the year ended June 30, 2010, related to Level 3 assets still held at June 30, 2010 and is reflected in investment return in the accompanying statement of activities.

(5) Government and Other Receivables

At June 30, 2010, government and other receivables consisted of the following:

City of New York (construction receivables)	$ 10,516
City of New York – other	3,650
State of New York	11,986
Other	2,866
Total	$ 29,018

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, 2010.

(In thousands of dollars)

(6) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30, 2010:

Amounts expected to be collected in:		
Less than one year	$	38,229
One to five years		69,987
More than five years		6,820
		115,036
Less allowance for uncollectible amounts		(728)
Less discount to present value (at rates ranging from 2.3% to 5.9% at June 30, 2010)		(6,552)
	$	107,756

At June 30, 2010, the amount receivable from one donor represents approximately 52% of the gross contributions receivable.

As of June 30, 2010, the Library has received conditional promises to give of approximately $14,125 in the form of matching grants that have not been reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met.

(7) Funds Held by Bond Trustee

Funds held by bond trustee consist of amounts designated for debt service under the terms of the Series 1999 bond agreement (note 13). Such amounts are invested in U.S. Treasury notes and investment grade obligations and are reported at fair value. The carrying value of funds held by bond trustee was $3,849 at June 30, 2010.

(8) Investments

The components of the Library's investments at June 30, 2010 were as follows:

		Fair value
Managed accounts	$	135,665
Commingled investment funds		235,787
Hedge funds		249,366
Private market funds		57,572
Total	$	678,390

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

Managed Accounts: Investments held in four 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 four separate investment managers and include short-term investments, domestic public equities, and corporate 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 do not necessarily 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 except for one fund which is still within its initial lock-up period, and the notice period ranges from three days 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, 2010, approximately $121,347 of the Library's hedge fund portfolio is within a specified lock-up period. For the remaining $128,019 of hedge fund investments that are not subject to a lock-up provision, redemptions are allowed on an ongoing basis that ranges from quarterly to annually. Redemption notice periods range from 45 to 180 days prior to the stipulated redemption date.

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, 2010, the Library had $50,292 in unfunded commitments to private market funds. Additionally, at June 30, 2010, the Library's investments in these partnerships had remaining lives of between one and 17 years, with an average of 9.2 years assuming all of the potential extension periods are granted at expiration.

(In thousands of dollars)

The following schedule summarizes the Library's investment return and classification thereof in the accompanying statement of activities for the year ended June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Dividends and interest	$ 3,750	766	11	4,527
Net realized and unrealized gains	50,969	10,414	160	61,543
Less investment expenses	(7,371)	(1,506)	(23)	(8,900)
Total investment return	47,348	9,674	148	57,170
Donor-permitted spending from permanently restricted net assets to support operations	1,013	3,469	(4,482)	—
Investment return appropriated for spending pursuant to the Library's spending policy	(25,400)	(7,088)	—	(32,488)
Investment return reported as nonoperating	$ 22,961	6,055	(4,334)	24,682

Temporarily restricted investment return that is earned and expended in the same period is reflected in the unrestricted net asset class.

(9) Endowment Funds

The Library's endowment consists of 392 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.

(In thousands of dollars)

The Library has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date (historic dollar value) of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Library classifies as permanently restricted net assets (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 to the permanent endowment made in accordance with the direction of the donor.

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, 2010, the fair values of 98 donor-restricted endowment funds were less than their original fair value (i.e., underwater) by a total of $23,853.

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 makes available to be spent each year a percentage of the average market value of the long-term endowment 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% in 2010.

Endowment net assets (excluding pledges of $28,153) consisted of the following at June 30, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	$ 12,337	94,247	371,822	478,406
Board-designated funds functioning as endowment	192,359	—	—	192,359
Total	$ 204,696	94,247	371,822	670,765

Donor-restricted amounts reported above as unrestricted net assets include unrestricted appreciation, net of underwater amount of endowment funds. Board-designated amounts include real estate investment used in operations of $1,084.

(In thousands of dollars)

Changes in endowment net assets for the fiscal year ended June 30, 2010 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2009	$ 142,038	86,643	364,570	593,251
Interest and dividends, net of expenses	(3,760)	(740)	(12)	(4,512)
Realized and unrealized gains	50,400	10,414	160	60,974
Contributions and other additions	38,146	—	15,304	53,450
Distributions	(25,400)	(7,088)	—	(32,488)
Transfers	3,272	5,018	(8,200)	90
Net assets at June 30, 2010	$ 204,696	94,247	371,822	670,765

On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act, which imposes guidelines on the management and investment of endowment funds. As a result, the Library will be required to reclassify $36,190 of appreciation on donor-restricted endowment funds from unrestricted net assets to temporarily restricted net assets in fiscal year 2011.

(10) Fixed Assets

Fixed asset balances at June 30, 2010 were as follows:

	2010
Land	$ 3,308
Buildings and improvements	421,773
Leasehold improvements	48,460
Equipment	34,543
Construction-in-progress	39,792
	547,876
Less: accumulated depreciation and amortization	(241,375)
	$ 306,501

(11) Pensions and Postemployment Benefits

Substantially all of the Library’s salaried employees are participants in the New York State and Local 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 $8,716 for the year ended June 30, 2010.

Under a 1937 agreement between the Library and the City, the City is responsible for pension liabilities to NYSLRS for employees whose salaries are funded by the City. City funding for such liabilities is included in City of New York 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% of their gross salary, and the Library contributes the remaining amounts necessary to pay benefits when due.

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 $4,107 at June 30, 2010, 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 for the year ended June 30, 2010 were $3,714 and $1,294, respectively. The Library believes that, through future appropriations, the City will fund a significant portion of such benefits as they are paid to employees. Effective December 31, 2008, the Library froze participation in the severance-based portion of the Service Credit Program to those who became eligible as of December 31, 2009.

(12) 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 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 Library recognizes the funded status of the postretirement benefit plan on its balance sheet as accrued postretirement benefits.

(In thousands of dollars)

The following table sets forth the changes in the postretirement benefit obligation as of and for the year ended June 30, 2010:

Change in benefit obligation:		
Accumulated postretirement obligation at beginning of year	$	144,735
Service cost		4,685
Interest cost		9,689
Amendments*		(29,986)
Participant contributions		471
Actuarial net loss		27,349
Benefits paid		(5,527)
Less Federal subsidy on benefits paid		184
Accumulated postretirement obligation at end of year		151,600
Change in plan assets:		
Fair value of plan assets at beginning of year		—
Employer contribution		4,872
Participant contributions		471
Federal subsidy on benefits paid		184
Benefits paid		(5,527)
Fair value of plan assets at end of year		—
Accrued postretirement benefits as reflected in the balance sheet	$	151,600

*Effective January 1, 2010, the Library amended its postretirement benefit plan:

- Benefits for privately funded union active and retired employees, whose benefits effective January 1, 2010 are funded through a trust, are deemed not to participate in the plan.
- Non-union employees retiring after August 31, 2010 will be offered enrollment in the City medical benefit plan, a dental plan, and a prescription drug plan.
- Current and future non-union retirees will no longer be eligible to receive certain welfare benefits.

(In thousands of dollars)

Net periodic postretirement benefit cost for the year ended June 30, 2010 includes the following components:

Service cost	$	4,685
Interest cost		9,689
Net amortization and deferral		1,189
Net periodic postretirement benefit cost	$	15,563
Weighted average assumptions used to determine benefit obligations as of June 30, 2010 – discount rate		5.55%
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30, 2010 – discount rate		6.85

Accumulated amounts recorded in unrestricted net assets other than through net periodic postretirement benefit cost at June 30, 2010 consist of the following:

Net loss	$	61,058
Prior service cost		(29,986)
Total	$	31,072

The expected amortization to be included in net periodic postretirement benefit cost for fiscal 2011 is $(2,750) and $2,146 of net actuarial loss and prior service cost, respectively.

Other changes recognized in unrestricted net assets other than net periodic postretirement benefit cost during the year ended June 30, 2010 were as follows:

Net loss	$	27,349
Prior service credit		(29,986)
Amortization of net loss		(1,189)
Total	$	(3,826)

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 8.4% and 8.8% for pre-65 participants and post-65 participants, respectively, 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%.

(Continued)

(In thousands of dollars)

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, 2010:

		1% Increase	1% Decrease
Effect on total of service and interest cost components	$	2,879	(2,224)
Effect on the postretirement benefit obligation		28,592	(22,676)

Projected contributions and expected benefit payments, net of Medicare Part D subsidy, are as follows:

		Gross benefit payments	Gross subsidy receipts	Net benefit payment
Fiscal years ending:				
2011	$	4,624	(108)	4,516
2012		5,076	(124)	4,952
2013		5,533	(147)	5,386
2014		6,076	(168)	5,908
2015		6,629	(188)	6,441
2016 – 2020		42,148	(1,283)	40,865

The Library believes that, through future appropriations, the City will fund a significant portion of postretirement benefits as they become due.

As of June 30, 2010, the Library has not identified any provisions of health care reform that would be expected to have a significant impact on the measured obligation.

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 $3,444 in the fiscal year ended June 30, 2010.

(In thousands of dollars)

(13) Long-Term Debt

Outstanding long-term debt at June 30, 2010, all of which was borrowed through the Dormitory Authority of the State of New York (the Dormitory Authority), consisted of the following:

Adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999A)	$	62,745
Adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999B)		29,550
Total	$	92,295

In April 1999, the Dormitory Authority issued the Series 1999 adjustable rate bonds on behalf of the Library in two tax-exempt components: (1) the Series 1999A Bonds in the amount of $82,075 and (2) the Series 1999B Bonds in the amount of $35,560. The proceeds were used to advance refund and redeem outstanding debt and for various construction projects.

On November 26, 2008, the Library reoffered the Series 1999 Bonds to terminate the insurance on the bonds and substitute two separate irrevocable direct pay letters of credit, for which it pays an annual fee of 0.60% of the aggregate principal amount of the bonds outstanding plus 35 days of accrued interest thereon (calculated at the rate of 12% on a year of 365 days and the actual number of days elapsed). The Library's debt is secured by the letters of credit, which will expire, unless extended or earlier terminated, on November 26, 2013.

The Series 1999 Bonds 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 ranged from 0.10% to 0.35% during the year ended June 30, 2010.

The Letters of Credit and Reimbursement Agreement (the Agreement) requires that the Library's available assets will be at least 1.5 times its general liabilities, as tested semi-annually at December 31 and June 30 of each fiscal year. Available assets, as defined by the Agreement, are total assets of the Library less permanently restricted net assets. General liabilities are defined as total liabilities of the Library.

The fair value of the Library's long-term debt approximates carrying value.

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

2011	$	3,805
2012		3,980
2013		4,150
2014		4,360
2015		4,560
Thereafter		71,440
Total	$	92,295

(Continued)

For the year ended June 30, 2010, interest expense and interest paid was $3,437.

Unamortized bond issuance costs, which are included in the balance sheet as other assets, were $592 at June 30, 2010 and are being amortized over the remaining term of the debt.

In connection with the Series 1999A Bonds, effective July 12, 2005, the Library entered into a swap agreement, whereby the Library pays the swap counterparty a fixed rate of 3.852% on the notional amount outstanding, 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 notional amount of the swap agreement at June 30, 2010 was $62,745. The swap agreement terminates on July 1, 2028. 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 is a liability of $8,925 at June 30, 2010 and is reported as interest rate swaps in the accompanying balance sheet.

In connection with the Series 1999B Bonds, effective August 23, 2004, the Library entered into a swap agreement, whereby the Library pays the swap counterparty a fixed rate of 4.009% on the notional amount outstanding, 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 notional amount of the swap agreement at June 30, 2010 was $29,550. The swap agreement terminates on July 1, 2028. 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 is a liability of $4,576 at June 30, 2010 and is reflected in interest rate swaps in the accompanying balance sheet.

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

(In thousands of dollars)

(14) Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets were for the following purposes at June 30, 2010:

Temporarily restricted net assets:		
Program activities:		
Branch libraries	$	6,320
Research libraries		74,541
Conservation and cataloging		11,352
Exhibitions and public education programs		8,964
Other – principally, time restricted and for the general operations of the research libraries and library-wide programs		92,476
Net investment in plant not yet placed in service		822
Acquisition of fixed assets		8,300
Total	$	202,775

Permanently restricted net assets:		
Program activities:		
Branch libraries	$	17,112
Research libraries		214,906
Conservation and cataloging		16,198
Exhibitions and public education programs		15,436
Other – principally, for the general operations of the research libraries and library-wide programs		136,323
Total	$	399,975

(In thousands of dollars)

(15) Functional Expense Classification

Expenses by functional classification for the year ended June 30, 2010 were as follows:

Total operating expenses and additions to research collections from the statement of activities	$	255,331
Depreciation and amortization		18,570
Total expenses	$	273,901
Library services	$	240,293
Fundraising and membership development		7,966
Management and general		25,642
Total expenses	$	273,901

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

(b) Collective Bargaining Agreements

At June 30, 2010, approximately 66% of the Library's employees are unionized and are employed under collective bargaining agreements that expired on March 2, 2010. The City and union officials have not yet commenced negotiations. The Library and the union continue to abide by the terms and conditions of the expired agreements.

(c) Line of Credit

The Library has available an unsecured line of credit from a bank, in the amount of $15,000, of which $800 has been applied towards a standby letter of credit associated with the Library's paid-loss workers' compensation insurance program. The line of credit is available until canceled by either party and carries an interest rate equal to the higher of the prime rate and the federal funds rate in effect plus half of 1% or LIBOR plus 1.25%, as the Library may elect. There were no amounts outstanding on the line at June 30, 2010.

(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:

2011	$	5,928
2012		6,045
2013		5,806
2014		5,247
2015		3,776
Thereafter		78,241
Total	$	105,043

Various leases provide for increases in annual base rentals based on various expenses and other increases. Rent expense for fiscal year 2010 was approximately $6,865. Deferred rent obligation was $4,492 at June 30, 2010 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 $7,040 as of June 30, 2010.

(17) Sales of Buildings

On November 5, 2007, the Library entered into an agreement to sell one of its buildings, which was fully depreciated as of June 30, 2010. The Library expects to receive approximately $59,000 in cash, in addition to a condominium unit interest whose value has not yet been determined. 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. As of June 30, 2010, the Library has received deposits totaling $18,598, which are included in deferred revenue in the accompanying balance sheet. Due to adverse conditions in the credit markets, the Library entered into an agreement on July 9, 2009 extending the closing date of the sale to June 30, 2011.

In addition, on December 2, 2010, the Library entered into an agreement to sell an administrative building, which was fully depreciated as of June 30, 2010. Under the terms of the sale agreement, the Library is to receive $45,000 in cash, of which $4,500 was deposited into an escrow account for the benefit of the Library upon execution of the agreement and the balance payable upon closing. The closing date of the sale is expected to be 60 days after the satisfaction of certain conditions, as specified in the agreement, but no later than nine months from the date of execution of the agreement. The Library expects to use the proceeds from sale in furtherance of its strategic priorities.

Schedule 1

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

Schedule of Activities – Branch and Research Libraries

Year ended June 30, 2010

(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	$ 113,239	—	—	113,239	25,175	—	—	25,175	138,414	—	—	138,414
State of New York	9,495	—	—	9,495	9,143	—	—	9,143	18,638	—	—	18,638
Federal government	328	—	—	328	599	—	—	599	927	—	—	927
Contributed rent and utilities	8,068	—	—	8,068	2,634	—	—	2,634	10,702	—	—	10,702
Private contributions and grants	2,329	805	—	3,134	25,507	1,089	—	26,596	27,836	1,894	—	29,730
Investment return appropriated for spending	471	247	—	718	24,929	6,841	—	31,770	25,400	7,088	—	32,488
Fines, royalties, and other revenue	4,837	—	—	4,837	9,601	—	—	9,601	14,438	—	—	14,438
	138,767	1,052	—	139,819	97,588	7,930	—	105,518	236,355	8,982	—	245,337
Net assets released from restrictions	1,055	(1,055)	—	—	11,208	(11,208)	—	—	12,263	(12,263)	—	—
Total operating revenues	139,822	(3)	—	139,819	108,796	(3,278)	—	105,518	248,618	(3,281)	—	245,337
Operating expenses:												
Library services	137,777	—	—	137,777	73,128	—	—	73,128	210,905	—	—	210,905
Fundraising and membership development	814	—	—	814	7,152	—	—	7,152	7,966	—	—	7,966
Management and general	11,198	—	—	11,198	14,153	—	—	14,153	25,351	—	—	25,351
Total operating expenses	149,789	—	—	149,789	94,433	—	—	94,433	244,222	—	—	244,222
Additions to research collections	—	—	—	—	11,109	—	—	11,109	11,109	—	—	11,109
Total operating expenses and additions to research collections	149,789	—	—	149,789	105,542	—	—	105,542	255,331	—	—	255,331
Change in net assets from operating activities	(9,967)	(3)	—	(9,970)	3,254	(3,278)	—	(24)	(6,713)	(3,281)	—	(9,994)
Nonoperating activities:												
Endowment contributions	—	—	2,907	2,907	—	—	9,344	9,344	—	—	12,251	12,251
Funds designated for long-term investment	—	—	—	—	14,698	11,792	—	26,490	14,698	11,792	—	26,490
Capital appropriations – City of New York	8,946	—	—	8,946	14,181	—	—	14,181	23,127	—	—	23,127
Capital appropriations – State of New York	4,955	—	—	4,955	4,223	—	—	4,223	9,178	—	—	9,178
Capital contributions	—	2,034	—	2,034	—	—	—	—	—	2,034	—	2,034
Depreciation and amortization	(7,651)	—	—	(7,651)	(10,919)	—	—	(10,919)	(18,570)	—	—	(18,570)
Investment return, net of amounts appropriated	867	271	—	1,138	22,094	5,784	(4,334)	23,544	22,961	6,055	(4,334)	24,682
Postretirement benefits changes other than net periodic benefit cost	2,275	—	—	2,275	1,551	—	—	1,551	3,826	—	—	3,826
Change in value of interest rate swaps	—	—	—	—	(2,077)	—	—	(2,077)	(2,077)	—	—	(2,077)
Net assets released from restrictions for capital and contributions receivable released from time restrictions and board designated for long-term investment	4,669	(4,669)	—	—	22,728	(22,728)	—	—	27,397	(27,397)	—	—
Change in donor designation	—	2,510	—	2,510	1,801	(3,282)	(1,029)	(2,510)	1,801	(772)	(1,029)	—
Change in net assets from nonoperating activities	14,061	146	2,907	17,114	68,280	(8,434)	3,981	63,827	82,341	(8,288)	6,888	80,941
Change in net assets	4,094	143	2,907	7,144	71,534	(11,712)	3,981	63,803	75,628	(11,569)	6,888	70,947
Net assets (deficit) at beginning of year, as restated	(6,962)	12,603	14,205	19,846	134,223	201,741	378,882	714,846	127,261	214,344	393,087	734,692
Net assets (deficit) at end of year	$ (2,868)	12,746	17,112	26,990	205,757	190,029	382,863	778,649	202,889	202,775	399,975	805,639

See accompanying independent auditors' report.

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

Schedule of Functional Expenses and Additions to Research Collections

Year ended June 30, 2010

(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	$ 63,070	36,919	99,989	402	3,138	3,540	5,560	7,460	13,020	16,560	116,549
Fringe benefits	29,476	17,080	46,556	186	1,482	1,668	2,490	3,601	6,091	7,759	54,315
Books and library materials	15,185	—	15,185	—	—	—	—	—	—	—	15,185
Binding and conservation expenditures	406	546	952	—	—	—	—	—	—	—	952
Office-related expenditures	705	434	1,139	53	283	336	80	137	217	553	1,692
Equipment rental and maintenance	2,096	2,444	4,540	—	57	57	361	188	549	606	5,146
Telecommunications	1,014	825	1,839	—	7	7	46	67	113	120	1,959
Building renovations and related expenditures	14,533	3,253	17,786	—	39	39	167	143	310	349	18,135
Contributed rent and utilities	8,068	2,634	10,702	—	—	—	—	—	—	—	10,702
Professional services	2,306	5,094	7,400	124	874	998	1,167	1,035	2,202	3,200	10,600
Promotional and special event expenses	139	233	372	49	1,255	1,304	77	145	222	1,526	1,898
Interest and accretion expense	654	2,591	3,245	—	—	—	56	216	272	272	3,517
Insurance expense	—	151	151	—	—	—	1,098	715	1,813	1,813	1,964
Other expenses	125	924	1,049	—	17	17	96	446	542	559	1,608
Total functional expenses before additions to research collections and depreciation and amortization	137,777	73,128	210,905	814	7,152	7,966	11,198	14,153	25,351	33,317	244,222
Additions to research collections	—	11,109	11,109	—	—	—	—	—	—	—	11,109
Depreciation and amortization	7,504	10,775	18,279	—	—	—	147	144	291	291	18,570
Total expenses	$ 145,281	95,012	240,293	814	7,152	7,966	11,345	14,297	25,642	33,608	273,901

See accompanying independent auditors' report.