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

Financial Statements and Supplemental Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

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

Table of Contents

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

Independent Auditors' Report

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

We have audited the accompanying balance sheets of The New York Public Library, Astor, Lenox and Tilden Foundations (the Library) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 8 to the financial statements, the Library adopted Accounting Standards Codification Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*, for classification of donor-restricted endowment funds in 2011.

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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2012 financial statements as a whole.

KPMG LLP

January 23, 2013

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

Balance Sheets

June 30, 2012 and 2011

(In thousands of dollars)

Assets		**2012**	**2011**
Cash and cash equivalents	$	97,310	102,888
Government and other receivables (note 4)		26,210	24,427
Contributions receivable, net (note 5)		62,216	82,432
Other assets		2,012	2,052
Funds held by bond trustee (notes 3 and 6)		24,631	4,002
Investments (notes 3 and 7)		889,324	814,313
Real estate investment used in operations (note 8)		1,084	1,084
Fixed assets, net (note 9)		284,821	301,533
Collection			
Total assets	$	1,387,608	1,332,731
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (notes 10 and 15)	$	57,405	54,110
Deferred revenue – City of New York and other (note 9)		87,488	104,858
Long-term debt (note 12)		84,510	88,490
Interest rate swaps (notes 3 and 12)		16,917	11,662
Accrued postretirement benefits (note 11)		182,757	146,833
Total liabilities		429,077	405,953
Commitments and contingencies (notes 7, 11, 12, and 15)			
Net assets (note 8):			
Unrestricted		295,593	241,543
Temporarily restricted (note 13)		236,691	268,635
Permanently restricted (note 13)		426,247	416,600
Total net assets		958,531	926,778
Total liabilities and net assets	$	1,387,608	1,332,731

See accompanying notes to financial statements.

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

Statements of Activities

Years ended June 30, 2012 and 2011

(In thousands of dollars)

	2012				2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues:								
City of New York	$ 133,066	—	—	133,066	133,170	—	—	133,170
State of New York	16,391	—	—	16,391	18,108	—	—	18,108
Federal government	1,731	—	—	1,731	1,377	—	—	1,377
Contributed rent and utilities	10,072	—	—	10,072	10,005	—	—	10,005
Private contributions and grants	24,684	7,426	—	32,110	28,084	4,928	—	33,012
Investment return appropriated for spending (note 7)	32,333	5,901	—	38,234	29,153	5,829	—	34,982
Fines, royalties, and other revenue	12,982	—	—	12,982	14,094	—	—	14,094
	231,259	13,327	—	244,586	233,991	10,757	—	244,748
Net assets released from restrictions	13,875	(13,875)	—	—	15,266	(15,266)	—	—
Total operating revenues	245,134	(548)	—	244,586	249,257	(4,509)	—	244,748
Operating expenses (note 14):								
Library services	211,437	—	—	211,437	204,367	—	—	204,367
Fundraising and membership development	8,170	—	—	8,170	9,461	—	—	9,461
Management and general	23,308	—	—	23,308	25,639	—	—	25,639
Total operating expenses	242,915	—	—	242,915	239,467	—	—	239,467
Additions to research collections	10,361	—	—	10,361	12,299	—	—	12,299
Total operating expenses and additions to research collections	253,276	—	—	253,276	251,766	—	—	251,766
Change in net assets from operating activities, before gains on sales of real estate	(8,142)	(548)	—	(8,690)	(2,509)	(4,509)	—	(7,018)
Gains on sales of real estate, net (note 9)	80,767	—	—	80,767	—	—	—	—
Change in net assets from operating activities	72,625	(548)	—	72,077	(2,509)	(4,509)	—	(7,018)
Nonoperating activities:								
Endowment contributions and funds designated for long-term investment	9,259	26,371	9,438	45,068	2,529	6,128	5,733	14,390
Appropriations and contributions for capital	12,814	304	—	13,118	11,910	1,170	—	13,080
Contributed property for use (note 9)	14,466	—	—	14,466	—	—	—	—
Depreciation and amortization (note 14)	(23,158)	—	—	(23,158)	(20,547)	—	—	(20,547)
Investment return, net of amounts appropriated (note 7)	(22,391)	(33,075)	209	(55,257)	42,937	62,211	527	105,675
Postretirement benefits changes other than net periodic benefit cost (note 11)	(29,306)	—	—	(29,306)	13,720	—	—	13,720
Change in value of interest rate swaps	(5,255)	—	—	(5,255)	1,839	—	—	1,839
Net assets released from restrictions for capital and contributions receivable released from time restrictions and board designated for long-term investment	27,037	(27,037)	—	—	26,318	(26,318)	—	—
Change in donor designation	(2,041)	2,041	—	—	—	—	—	—
Reclassification in accordance with ASC 958-205 (note 8)	—	—	—	—	(37,543)	27,178	10,365	—
Change in net assets from nonoperating activities	(18,575)	(31,396)	9,647	(40,324)	41,163	70,369	16,625	128,157
Change in net assets	54,050	(31,944)	9,647	31,753	38,654	65,860	16,625	121,139
Net assets at beginning of year	241,543	268,635	416,600	926,778	202,889	202,775	399,975	805,639
Net assets at end of year	$ 295,593	236,691	426,247	958,531	241,543	268,635	416,600	926,778

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2012 and 2011

(In thousands of dollars)

		2012	2011
Cash flows from operating activities:			
Change in net assets	$	31,753	121,139
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Net realized and unrealized losses (gains) on investments		18,653	(143,441)
Depreciation and amortization		23,158	20,547
Deferred rent expense		491	552
Postretirement benefits changes other than net periodic benefit cost		29,306	(13,720)
Change in value of interest rate swaps		5,255	(1,839)
Appropriations and contributions for capital		(13,118)	(13,080)
Endowment contributions		(9,438)	(5,733)
Permanently restricted investment income, net of expenses		(209)	11
Gains on sales of real estate		(80,767)	—
Contributed property for use from the City of New York		(14,466)	—
Changes in operating assets and liabilities:			
Receivables, except for contributions and other receivables restricted for investment in endowment and capital projects		7,073	14,036
Other assets		7	952
Accounts payable and accrued liabilities, except for accounts payable and accrued liabilities relating to fixed assets and deferred rent		191	(1,531)
Accrued postretirement benefits		6,618	8,953
Deferred revenue, except for deferred revenue relating to sale of building and capital projects		(43,884)	(87)
Net cash used in operating activities		(39,377)	(13,241)
Cash flows from investing activities:			
Purchases of investments		(300,101)	(98,056)
Proceeds from sales of investments		206,437	105,574
Purchases of fixed assets		(14,210)	(15,546)
Proceeds from sales of real estate		131,060	11,500
Change in accounts payable and accrued liabilities relating to fixed assets		2,613	(3,814)
Net cash provided by (used in) investing activities		25,799	(342)
Cash flows from financing activities:			
Change in contributions receivable restricted for investment in endowment		13,488	5,938
Change in contributions and other receivables restricted for capital projects		(2,128)	9,941
Change in deferred revenue relating to capital projects		(1,516)	267
Appropriations and contributions for capital		13,118	13,080
Endowment contributions		9,438	5,733
Permanently restricted investment income, net of expenses		209	(11)
Principal payments on long-term debt		(3,980)	(3,805)
Change in funds held by bond trustee		(20,629)	(153)
Net cash provided by financing activities		8,000	30,990
Net (decrease) increase in cash and cash equivalents		(5,578)	17,407
Cash and cash equivalents at beginning of year		102,888	85,481
Cash and cash equivalents at end of year	$	97,310	102,888
Supplemental disclosures:			
Unrelated business income taxes paid	$	529	19
Interest paid		3,082	3,321

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Basis of Presentation

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

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

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

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

(Continued)

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) Contributed Properties for Use

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

(f) 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 years 2012 and 2011), the Library reports contributed utilities revenue for these transactions, offset by equal charges to the appropriate expense category. During the years ended June 30, 2012 and 2011, the Library recognized revenues and expenses totaling $8,134 and $8,049, respectively, for contributed utilities.

In addition, the Library recognizes contributed rent for certain properties occupied under short-term lease arrangements for which payments are below the fair rental value. During the years ended June 30, 2012 and 2011, the Library recognized revenues and expenses totaling $1,938 and $1,956, respectively, for contributed rent.

(g) Fundraising and Membership Development

Fundraising and membership development expenses were $8,170 and $9,461 for the years ended June 30, 2012 and 2011, respectively. The Library's fundraising and membership development activities include working with program staff to develop statements of need for private fundraising, including endowment and capital contributions reported as nonoperating activities; soliciting contributions for those needs and for the Annual Fund from individuals, corporations, and foundations; conducting outreach efforts to secure membership contributions and create awareness of the Library and its programs; and conducting special fundraising events. Revenues raised from special fundraising events are $4,833 and $6,234 for the years ended June 30, 2012 and 2011, respectively, and are included in private contributions and grants in the accompanying statements of activities. The costs for these events totaled approximately $1,146 and $1,945, respectively, for the same periods and are included in fundraising and membership development in the accompanying statements of activities. Fundraising costs are expensed as incurred.

(h) 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 sheets 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.

(i) 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, appropriations and contributions for capital, depreciation and amortization, investment return, net of amounts appropriated for spending pursuant to the Library's endowment spending policy (notes 7 and 8), postretirement benefit changes other than net periodic benefit cost, the change in value of interest rate swaps, and other nonrecurring items are recognized as nonoperating activities.

(Continued)

(j) 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.

(k) Cash and Cash Equivalents

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

(l) Split-Interest Agreements

The Library's split-interest agreements consist primarily of charitable gift annuities and pooled income funds. Contribution revenue is recognized at the date the assets are received after recording liabilities for the present value of estimated future payments to be made to the donors and/or other beneficiaries. These liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, 1.2% and 2.8% at June 30, 2012 and 2011, respectively, and other changes in the estimates of future benefits. The liabilities for beneficiary payments in the amount of $6,265 and $5,123 at June 30, 2012 and 2011, respectively, are included in accounts payable and accrued liabilities. Assets related to the split-interest agreements amounted to $6,729 and $6,564 at June 30, 2012 and 2011, respectively, and are included in investments in the accompanying balance sheets.

(m) Fixed Assets

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

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

Amounts paid directly by the City from its capital budget 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.

(n) Collections

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

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

(o) Volunteers

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

(p) Deferred Revenue

The Library received advances of $27,901 and $71,915 from the City at the years ended June 30, 2012 and 2011 to be used for fiscal 2013 and 2012 operations, respectively. These amounts are reflected as deferred revenue at June 30, 2012 and 2011. In addition, the Library received payments on certain State grants in advance of incurring expenses and deferred gain and deposits relating to the sale of one of its buildings (note 9), which are also included in deferred revenue at June 30, 2012 and 2011.

(q) Derivative Instruments

The Library uses derivative instruments (i.e., interest rate swaps) to manage its exposure to interest rate fluctuations on its outstanding variable rate long-term debt (note 12). The Library reports such derivative instruments at fair value, which is based upon regular "mid-market" valuations provided by the Library's counterparties. Mid-market prices are derived from proprietary valuation models utilized by the Library's counterparties, and they do not take into account certain factors including the creditworthiness of the parties, funding implications (including estimated funding costs and/or benefits associated with any credit support or margin arrangement), and portfolio level adjustments, which the Library estimates to be immaterial. The Library believes that the proprietary valuation models reflect the zero-coupon method, which calculates a net present value of projected and known contractual cash flows of a swap discounted by the benchmark rates that the market uses as risk-free rates for each respective period. The projected cash flows would be determined using a certainty equivalent (i.e. the amount for which a floating rate future cash flow could be exchanged for a fixed future cash flow in the interest rate swap or other related market). As such, this would be an implementation of Expected Present Value Method 1 as described in Accounting Standards Codification (ASC) 820-10-55-15, *Fair Value Measurement*.

(r) 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 $460 and $2,284 at June 30, 2012 and 2011, respectively, 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.

(s) Related Party Transactions

Members of the Library's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the Library. The Library has a written ethics and conflicts policy that requires, among other things, annual disclosure of interests or affiliations that could be construed as creating a conflict or the appearance of a conflict with the interests of the Library. The ethics and conflicts policy requires that no member of the Board of Trustees or senior management can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each trustee and member of senior management is required to certify compliance with the ethics and conflicts policy on an annual basis and indicate whether the Library does business with an entity in which he or she has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the Library, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant as of and for the years ended June 30, 2012 and 2011.

(t) 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, postretirement benefit obligations and related costs, and functional allocation of expenses. Actual results could differ from those estimates.

(u) 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, 2012 and 2011, 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.

(v) Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation.

(w) Multiemployer Plans

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-09, *Disclosures about an Employer's Participation in a Multiemployer Plan*. The guidance is intended to provide financial statement users with greater transparency about an employer's participation in a multiemployer pension plan. The guidance requires additional qualitative and quantitative information disclosures to assist users of the financial statements in understanding the commitments and risks involved in participating in multiemployer pension plans, including the financial health of all of the significant plans in which the employer participates. This ASU does not change the current recognition and measurement guidance for an employer's participation in a multiemployer pension plan. This ASU is effective for the Library for the year ended June 30, 2012. Adoption of this guidance did not have an impact on the financial statements of the Library; it only required additional disclosures.

(3) Fair Value Measurements

At June 30, 2012 and 2011, 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 approximate their fair values because of their short-term nature.

Assets and liabilities, which are reported at fair value on a recurring basis by the Library, are investments, funds held by bond trustees, 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 other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
>
> *Level 3 inputs* are unobservable for the assets or liabilities.

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

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.

(In thousands of dollars)

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 at June 30, 2012:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Managed accounts:				
Short-term investments	$ 39,456	—	—	39,456
Domestic common stocks	32,042	—	—	32,042
Corporate bonds	142,395	—	—	142,395
Government bonds	30,962	—	—	30,962
Commingled investment funds:				
Domestic equity funds	—	64,886	—	64,886
Global/international equity funds	—	247,494	—	247,494
Fixed income funds	—	2,785	—	2,785
Hedge funds:				
Long/short equity funds	—	87,254	18,287	105,541
Multi-strategy funds	—	21,707	101,201	122,908
Commodity-related funds	—	10,143	—	10,143
Private market funds:				
Venture capital	—	—	7,571	7,571
Private equity	—	—	60,693	60,693
Real estate	—	—	22,448	22,448
Total investments	244,855	434,269	210,200	889,324
Other assets:				
Funds held by bond trustee:				
Cash	5,325	—	—	5,325
U.S. Treasury bills and notes	19,306	—	—	19,306
Total funds held by bond trustee	24,631	—	—	24,631
Total assets	$ 269,486	434,269	210,200	913,955
Liabilities – interest rate swaps	$ —	16,917	—	16,917

(In thousands of dollars)

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 at June 30, 2011:

		Level 1	Level 2	Level 3	Total
Assets:					
Investments:					
Managed accounts:					
Short-term investments	$	48,626	—	—	48,626
Domestic common stocks		65,529	—	—	65,529
Corporate bonds		14,765	—	—	14,765
Commingled investment funds:					
Domestic equity funds		—	61,988	—	61,988
Global/international equity funds		—	220,076	—	220,076
Fixed income funds		—	29,600	—	29,600
Hedge funds:					
Long/short equity funds		—	84,848	80,560	165,408
Multi-strategy funds		—	21,570	93,229	114,799
Commodity-related funds		—	13,207	—	13,207
Private market funds:					
Venture capital		—	—	9,140	9,140
Private equity		—	—	51,501	51,501
Real estate		—	—	19,674	19,674
Total investments		128,920	431,289	254,104	814,313
Other assets:					
Funds held by bond trustee:					
Cash		3,987	—	—	3,987
U.S. Treasury bills and notes		15	—	—	15
Total funds held by bond trustee		4,002	—	—	4,002
Total assets	$	132,922	431,289	254,104	818,315
Liabilities – interest rate swaps	$	—	11,662	—	11,662

(In thousands of dollars)

The following table presents the Library's activity for the fiscal years ended June 30, 2012 and 2011 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
Balance, June 30, 2010	$ 8,035	155,557	57,572	221,164
Transfers from Level 3 to Level 2	(8,035)	(8,661)	—	(16,696)
Acquisitions	—	10,000	28,326	38,326
Dispositions	—	(8,234)	(18,067)	(26,301)
Realized and unrealized gains	—	25,127	12,484	37,611
Balance, June 30, 2011	—	173,789	80,315	254,104
Transfer from Level 3 to Level 2	—	(23,703)	—	(23,703)
Acquisitions	—	9,750	24,860	34,610
Dispositions	—	(38,137)	(19,143)	(57,280)
Realized and unrealized (losses) gains	—	(2,211)	4,680	2,469
Balance, June 30, 2012	$ —	119,488	90,712	210,200

Transfers from Level 3 to Level 2 during fiscal years 2012 and 2011 were due to the expiration of lock-up requirements.

Unrealized (losses) gains amounted to $(31,381) and $35,830 for the years ended June 30, 2012 and 2011, respectively, related to Level 3 assets still held at June 30, 2012 and 2011 and are reflected in investment return in the accompanying statements of activities.

(4) Government and Other Receivables

At June 30, 2012 and 2011, government and other receivables consisted of the following:

	2012	2011
City of New York (construction receivables)	$ 9,583	5,680
City of New York – other	7,620	6,900
State of New York	6,851	8,242
Other	2,156	3,605
Total	$ 26,210	24,427

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

(In thousands of dollars)

(5) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30, 2012 and 2011:

		2012	2011
Amounts expected to be collected in:			
Less than one year	$	51,331	41,710
One to five years		12,171	42,305
More than five years		2,908	4,710
		66,410	88,725
Less allowance for uncollectible amounts		(2,879)	(2,868)
Less discount to present value (at rates ranging from 1.2% to 5.8%		(1,315)	(3,425)
	$	62,216	82,432

At June 30, 2012, the amounts receivable from three donors represent approximately 56% of the gross contributions receivable. At June 30, 2011, the amount receivable from one donor represents approximately 45% of the gross contributions receivable.

As of June 30, 2012 and 2011, the Library has received conditional promises to give of approximately $10,150 and $15,541, respectively, in the form of matching grants and other conditions that have not been reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met.

(6) 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 12) and $20,460 of proceeds from the sale of a bond-financed property held in escrow as construction funds. Such amounts are invested in cash and U.S. Treasury bills and notes, and are reported at fair value. The carrying value of funds held by bond trustee at June 30, 2012 and 2011 were as follows:

		2012	2011
Debt service fund	$	4,176	4,002
Construction fund		20,455	—
Total	$	24,631	4,002

(In thousands of dollars)

(7) Investments

The components of the Library's investments at June 30, 2012 and 2011 were as follows:

		Fair value	
		2012	**2011**
Managed accounts	$	244,855	128,920
Commingled investment funds		315,165	311,664
Hedge funds		238,592	293,414
Private market funds		90,712	80,315
Total	$	889,324	814,313

Information with respect to investment strategies, redemption terms, and funding commitments for these investments is as 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 and the notice period ranges from 3 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, 2012 and 2011, $58,741 and $71,906, respectively, of the Library's hedge fund portfolio is within a specified lock-up period. For the remaining $179,851 and $221,508 of hedge fund investments at June 30, 2012 and 2011, respectively, that are not subject to a lock-up provision, redemptions are allowed on an ongoing basis that range from quarterly to annually. Redemption notice periods range from 45 to 180 days prior to the stipulated redemption date. At June 30, 2012, the Library had $50,250 in unfunded commitments to hedge funds.

Private Market Funds: Private market funds include a variety of investment strategies for which the underlying manager's investments are made in companies or assets that do not trade on a public exchange. For example, private equity strategies can include investments in mature private companies in which the manager acquires a controlling equity stake and attempts to improve the operating characteristics, management team, or capital structure of the underlying businesses. Venture capital strategies include investments in less-mature private companies that require equity capital to achieve strong sales growth for their products and services. Real estate strategies include equity or debt investments that are secured by the value of physical properties such as office, multi-family residential, hotel, retail, and industrial buildings and assets. Private market funds are usually structured as onshore private limited partnerships to which limited partners commit a specified amount of capital that is called down over time as investment opportunities are identified, typically over a 4 to 5 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, 2012 and 2011, the Library had $70,498 and $53,460, respectively, in unfunded commitments to private market funds. Additionally, at June 30, 2012, the Library's investments in these partnerships had remaining lives of between 4 and 19 years, with an average of 10.0 years assuming all of the potential extension periods are granted at expiration.

(In thousands of dollars)

As a result of the enactment of the New York Prudent Management of Institutional Funds Act (NYPMIFA) in fiscal year 2011 and the adoption of the accounting guidance related to NYPMIFA, investment return earned on donor-restricted endowment funds, not yet appropriated by the Board of Trustees, has been classified as temporarily restricted net assets as of July 1, 2010. Temporarily restricted investment return that is appropriated for spending by the Board of Trustees and expended in the same period is reflected in the unrestricted net asset class. The following tables summarize the Library's investment return and classification thereof in the accompanying statements of activities for the years ended June 30, 2012 and 2011:

		2012	2011
Dividends and interest	$	10,071	6,752
Net realized and unrealized (losses) gains		(18,653)	143,441
Less investment expenses		(8,441)	(9,536)
Total investment return		(17,023)	140,657
Investment return appropriated for spending		(38,234)	(34,982)
Investment return reported as nonoperating	$	(55,257)	105,675

(8) Endowment Funds

The Library's endowment consists of 403 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.

On September 17, 2010, New York State enacted NYPMIFA, which imposes guidelines on the management and investment of endowment funds. The Board of Trustees of the Library has interpreted NYPMIFA as allowing the Library to appropriate for expenditure or accumulate so much of an endowment fund as the Library determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. As a result of this interpretation, the Library continues to classify as permanently restricted net asset (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of income to the permanent endowment made in accordance with the direction of the applicable donor gift instruments. Accounting guidance associated with the enactment of NYPMIFA as set forth in ASC Topic 958-205-45, *Classification of Donor-Restricted Endowment Funds Subject to UPMIFA* (ASC 958-205), requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted to be classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Accordingly, upon the adoption of ASC 958-205, the Library reclassified $37,543 of appreciation on donor-restricted endowment funds from unrestricted net assets to temporarily restricted net assets ($27,178) and permanently restricted net assets ($10,365) in fiscal year 2011.

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

i The duration and preservation of the endowment fund

ii The purposes of the Library and the endowment fund

iii General economic conditions

iv The possible effect of inflation and deflation

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

vi Other resources of the Library

vii Alternatives to expenditure of the endowment fund

viii The investment policies of the Library

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. At June 30, 2012 and 2011, the fair values of 83 and 47 donor-restricted endowment funds, respectively, were less than their original fair value (i.e., underwater) by a total of $20,611 and $13,241, respectively.

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

Beginning in fiscal year 2012, the Library calculates annual spending as (i) 75% of the prior year's endowment spending, adjusted for inflation (i.e., CPI) and (ii) 25% of 5% of the endowment market value as of December 31 of the most recent calendar year-end preceding the start of said fiscal year (Current Market Value), provided, however, that, in order to avoid any unintended spending distortions over time, in no event shall the spending amount with respect to any fiscal year be less than 4% or more than 6% of the Current Market Value. Any excess is reinvested.

In fiscal year 2011, the Library made available for spending a percentage of the average fair 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 was reinvested. The spending rate approved by the Library's Board of Trustees was 5% in 2011.

(In thousands of dollars)

Endowment net assets (excluding pledges and split interest agreements) consisted of the following at June 30, 2012 and 2011:

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted funds	$ (20,611)	152,711	417,520	549,620
Board-designated funds functioning as endowment	268,097	7,500	—	275,597
Total	$ 247,486	160,211	417,520	825,217

	2011			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted funds	$ (13,241)	183,636	394,385	564,780
Board-designated funds functioning as endowment	250,153	—	—	250,153
Total	$ 236,912	183,636	394,385	814,933

Donor-restricted amounts reported above as unrestricted net assets at June 30, 2012 and 2011 represent underwater amount of endowment funds. Board-designated amounts include real estate investment used in operations of $1,084 at June 30, 2012 and 2011.

(In thousands of dollars)

Changes in endowment net assets for the fiscal years ended June 30, 2012 and 2011 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2010	$	204,696	94,247	371,822	670,765
Reclassification in accordance with ASC 958-205		(37,543)	27,178	10,365	—
Interest and dividends, net of expenses		(1,564)	(1,346)	(11)	(2,921)
Realized and unrealized gains		72,585	69,386	538	142,509
Contributions and other additions		27,891	—	11,671	39,562
Appropriated for spending		(29,153)	(5,829)	—	(34,982)
Net assets at June 30, 2011		236,912	183,636	394,385	814,933
Interest and dividends, net of expenses		459	—	209	668
Realized and unrealized losses		(11,051)	(6,846)	—	(17,897)
Contributions and other additions		35,154	7,500	22,926	65,580
Appropriated for spending		(11,837)	(26,230)	—	(38,067)
Transfers		(2,151)	2,151	—	—
Net assets at June 30, 2012	$	247,486	160,211	417,520	825,217

(9) Fixed Assets

Fixed asset balances at June 30, 2012 and 2011 were as follows:

		2012	2011
Land	$	3,109	3,308
Buildings and improvements		442,604	471,445
Leasehold improvements		48,723	48,723
Furniture and equipment		37,687	35,274
Construction in progress		12,734	4,672
		544,857	563,422
Less accumulated depreciation and amortization		(260,036)	(261,889)
	$	284,821	301,533

On July 6, 2011, the Library entered into an initial closing on the sale of one of its fully depreciated buildings in which it received gross proceeds of $59,000, before transaction fees of $673, representing partial consideration of the total purchase price of the building. The remaining consideration is an interest in a condominium unit whose value has not yet been determined. The condominium unit will be transferred to the Library at the completion of construction, which is expected to occur in fiscal year 2015. 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. Because the Library has not received all consideration pertaining to the sale of the building as of the dates of the accompanying financial statements, the Library has recorded a deferred gain on the sale of $58,128 at June 30, 2012. As of June 30, 2011, the Library had received advance deposits of $30,098 with respect to the sale. The deferred gain and advance deposits as of June 30, 2012 and 2011, respectively, are included in deferred revenue in the accompanying balance sheets.

In addition, on August 17, 2011, the Library closed on the sale of an administrative building, which was fully depreciated. The sale price was $45,000, before transaction fees of $501 and gain recognized on the sale was $44,312. The Library expects to use the proceeds from the sale in furtherance of its strategic priorities.

Furthermore, on June 12, 2012, the Library closed on the sale of five floors of a condominium unit for $60,800, before transaction fees of $2,468, of which $20,460 was held in escrow by the bond trustee as construction funds (note 6); the Library recognized a gain on the sale of $36,455. In conjunction with this transaction, the Library entered into two agreements: 1) a lease of administrative office space for a term of 32 years which commences when the Library takes possession of the space, expected to be in fiscal year 2014; and 2) a short-term lease back of one of the five floors sold to be used as temporary office space through 2014.

During fiscal year 2012, the Library received contributed property for use of $14,466 from the City. Such amount is recorded as fixed assets and contributed property for use in the accompanying balance sheets and statements of activities. The Library did not receive contributed properties for use during fiscal year 2011.

(10) Pensions and Postemployment Benefits

Substantially all of the Library’s salaried employees are participants in the New York State and Local Employees’ Retirement System (NYSLRS). NYSLRS is a cost sharing, multiple employer public employee retirement system that offers plans and benefits related to years of service and final average salary. All benefits generally vest after five years of accredited service. Pension expense for these employees was approximately $14,670 and $14,259 for the years ended June 30, 2012 and 2011, respectively. There have been no significant changes that affect the comparability of fiscal years 2012 and 2011 contributions. The Library was not listed in the plan’s most recent available audited financial statements for providing more than five percent of the total contributions to the plan for the years ended March 31, 2012 and 2011. The Employer Identification Number for NYSLRS is 14-6020869. The most recent Pension Protection Act (PPA) zone status is green at March 31, 2012 and 2011, which is based on the funded ratio as of April 1, 2011 and 2010, respectively, and are disclosed in the plan’s audited financial statements. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

Under a 1937 agreement between the Library and the City, the City is responsible for pension liabilities to NYSLRS for Library employees whose salaries are funded by the City. City funding for such liabilities is included in City operating revenues in the accompanying statements 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 $4,584 and $4,049 at June 30, 2012 and 2011, respectively, which is included in accounts payable and accrued liabilities in the accompanying balance sheets. The liability is funded on a pay-as-you-go basis. Benefits paid and expenses recognized by the Library were $596 and $1,131, respectively, for the year ended June 30, 2012, and $946 and $888, respectively, for the year ended June 30, 2011. The Library believes that, through future appropriations, the City will fund a significant portion of such benefits as they are paid to employees.

(11) 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 sheets as accrued postretirement benefits.

(Continued)

(In thousands of dollars)

The following table sets forth the changes in the postretirement benefit obligation as of and for the years ended June 30, 2012 and 2011:

		2012	2011
Change in benefit obligation:			
Accumulated postretirement obligation at beginning of year	$	146,833	151,600
Service cost		4,640	5,143
Interest cost		8,106	8,287
Participant contributions		633	559
Actuarial net loss (gain)		28,871	(13,184)
Benefits paid		(6,457)	(5,686)
Federal subsidy on benefits paid		131	114
Accumulated postretirement obligation at end of year		182,757	146,833
Change in plan assets:			
Fair value of plan assets at beginning of year		—	—
Employer contribution		5,693	5,013
Participant contributions		633	559
Federal subsidy on benefits paid		131	114
Benefits paid		(6,457)	(5,686)
Fair value of plan assets at end of year		—	—
Accrued postretirement benefits as reflected in the balance sheets	$	182,757	146,833

Net periodic postretirement benefit cost for the years ended June 30, 2012 and 2011 includes the following components:

		2012	2011
Service cost	$	4,640	5,143
Interest cost		8,106	8,287
Net amortization and deferral		(435)	536
Net periodic postretirement benefit cost	$	12,311	13,966
Weighted average assumptions used to determine benefit obligations – discount rate		4.20%	5.65%
Weighted average assumptions used to determine net periodic benefit cost – discount rate		5.65	5.55

(In thousands of dollars)

Accumulated amounts recorded in unrestricted net assets other than through net periodic postretirement benefit cost at June 30, 2012 and 2011 consist of the following:

		2012	2011
Net loss	$	72,138	45,085
Prior service credit		(25,480)	(27,733)
Total	$	46,658	17,352

The expected amortization to be included in net periodic postretirement benefit cost for fiscal year 2013 is $(3,247) and $2,253 of net actuarial loss and prior service credit, respectively.

Other changes recognized in unrestricted net assets other than net periodic postretirement benefit cost during the years ended June 30, 2012 and 2011 were as follows:

		2012	2011
Net loss (gain)	$	28,871	(13,184)
Prior service credit		2,253	2,253
Amortization of net loss		(1,818)	(2,789)
Total	$	29,306	(13,720)

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 8.0% and 8.3% 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 4.0%.

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, 2012:

		1% Increase	1% Decrease
Effect on total of service and interest cost components	$	2,699	(2,094)
Effect on the postretirement benefit obligation		36,481	(28,597)

(In thousands of dollars)

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 year(s) ending:				
2013	$	5,760	(152)	5,608
2014		6,052	(172)	5,880
2015		6,411	(189)	6,222
2016		6,806	(206)	6,600
2017		7,181	(225)	6,956
2018 – 2022		42,802	(1,463)	41,339

As of June 30, 2012 and 2011, the Library has considered 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, District Council 37 New York Public Library Health and Security Plan Trust (the Plan), that provides certain welfare benefits to active and eligible retired employees of the Library covered by a collective bargaining agreement. The collective bargaining agreement is negotiated and approved periodically. The Library records related expense as contributions are made. Total expense recognized under the Plan was $3,582 and $3,641 in the fiscal years ended June 30, 2012 and 2011, respectively. Postretirement benefits include future benefits expected to be paid to or for (1) currently retired or terminated employees and their beneficiaries and dependents and (2) active employees and their beneficiaries and dependents after retirement from service. As of June 30, 2011, the Plan's most recently issued financial statements, the Plan had net assets available for benefits of $8,099. The actuarial present value of estimated future benefits to plan participants who have provided services as of June 30, 2011 amounted to $58,979 ($369 currently payable, $4,433 for actives fully eligible, $18,970 for actives not fully eligible, and $35,207 for retirees). There is no liability for the Plan's Trustees to provide payment over and beyond the amounts in the Plan collected and held for such purpose. The Plan's Trustees have the right to change or discontinue the types and amounts of benefits under the Plan and the eligibility rules. The Library is currently the only remaining contributing employer to the Plan. The Employer Identification Number for the Plan is 13-3378857.

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

(In thousands of dollars)

(12) Long-Term Debt

Outstanding long-term debt at June 30, 2012 and 2011, all of which was borrowed through the Dormitory Authority of the State of New York (the Dormitory Authority), consisted of the following:

		2012	2011
Adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999A)	$	56,890	59,880
Adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999B)		27,620	28,610
Total	$	84,510	88,490

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 0.02% to 0.24% during the year ended June 30, 2012 and 0.05% to 0.34% during the year ended June 30, 2011.

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.

(In thousands of dollars)

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

2013	$	4,150
2014		4,360
2015		4,560
2016		4,780
2017		5,000
Thereafter		61,660
Total	$	84,510

For the years ended June 30, 2012 and 2011, interest expense and paid was $3,082 and $3,321, respectively.

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 54.500% of the one-month British Bankers' Association LIBOR (U.S. dollar), plus 0.310%. The notional amount of the swap agreement at June 30, 2012 and 2011 was $56,890 and $59,880, respectively. 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 $10,438 and $7,723 at June 30, 2012 and 2011, respectively, and is reflected in interest rate swaps in the accompanying balance sheets.

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 one-month LIBOR, where LIBOR is equal to the greater of (a) one-month LIBOR x 68.000% or (b) (one-month LIBOR x 56.000%) plus 0.440%. The notional amount of the swap agreement at June 30, 2012 and 2011 was $27,620 and $28,610, respectively. 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 $6,479 and $3,939 at June 30, 2012 and 2011, respectively, and is reflected in interest rate swaps in the accompanying balance sheets.

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 statements of activities.

(In thousands of dollars)

(13) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets and the income on permanently restricted net assets were for the following purposes at June 30, 2012 and 2011:

	2012	2011
Temporarily restricted net assets:		
Program activities:		
Branch libraries	$ 15,073	8,860
Research libraries	99,028	99,933
Conservation and cataloging	12,591	14,465
Exhibitions and public education programs	7,529	9,102
Other – principally, time restricted and for the general operations of the research libraries and library-wide programs	96,742	128,486
Net investment in plant not yet placed in service	1,810	2,442
Acquisition of fixed assets	3,918	5,347
Total	$ 236,691	268,635

Permanently restricted net assets were for the following purposes at June 30, 2012 and 2011:

	2012	2011
Permanently restricted net assets:		
Program activities:		
Branch libraries	$ 29,890	25,903
Research libraries	230,369	226,981
Conservation and cataloging	18,334	16,534
Exhibitions and public education programs	15,263	15,263
Other – principally, for the general operations of the research libraries and library-wide programs	132,391	131,919
Total	$ 426,247	416,600

(In thousands of dollars)

(14) Functional Expense Classification

Expenses by functional classification for the years ended June 30, 2012 and 2011 were as follows:

		2012	2011
Total operating expenses and additions to research collections from the statements of activities	$	253,276	251,766
Depreciation and amortization		23,158	20,547
Total expenses	$	276,434	272,313
Library services	$	244,638	236,996
Fundraising and membership development		8,170	9,461
Management and general		23,626	25,856
Total expenses	$	276,434	272,313

(15) Commitments and Contingencies

(a) Litigation and Claims

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

(b) Collective Bargaining Agreements

At June 30, 2012 and 2011, approximately 66% and 67%, respectively, 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 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 $715 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 through February 28, 2013, subject to extension, and carries an interest rate equal to the prime rate or LIBOR plus 0.45%, as the Library may elect.

(In thousands of dollars)

(d) Leases

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

2013	$	5,970
2014		5,918
2015		4,449
2016		4,425
2017		4,523
Thereafter		85,022
Total	$	110,307

Various leases provide for increases in annual base rentals based on various expenses and other increases. Rent expense for fiscal year 2012 and 2011 was approximately $6,664 and $6,676, respectively. Deferred rent obligation was $5,535 and $5,044 at June 30, 2012 and 2011, respectively, and is included in accounts payable and accrued liabilities in the accompanying balance sheets.

(e) Construction-Related Purchase Commitments

The Library has entered into construction-related purchase commitments of approximately $3,366 and $1,716 as of June 30, 2012 and 2011.

(16) Subsequent Events

In conjunction with the preparation of the financial statements, the Library evaluated subsequent events from July 1, 2012 through January 23, 2013, the date on which the financial statements were issued, and has concluded that there are no further disclosures required.

Schedule 1

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

Schedule of Activities – Branch and Research Libraries

Year ended June 30, 2012

(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	$ 111,801	—	—	111,801	21,265	—	—	21,265	133,066	—	—	133,066
State of New York	7,908	—	—	7,908	8,483	—	—	8,483	16,391	—	—	16,391
Federal government	828	—	—	828	903	—	—	903	1,731	—	—	1,731
Contributed rent and utilities	7,631	—	—	7,631	2,441	—	—	2,441	10,072	—	—	10,072
Private contributions and grants	5,339	2,021	—	7,360	19,345	5,405	—	24,750	24,684	7,426	—	32,110
Investment return appropriated for spending	1,453	622	—	2,075	30,880	5,279	—	36,159	32,333	5,901	—	38,234
Fines, royalties, and other revenue	4,909	—	—	4,909	8,073	—	—	8,073	12,982	—	—	12,982
	139,869	2,643	—	142,512	91,390	10,684	—	102,074	231,259	13,327	—	244,586
Net assets released from restrictions	2,029	(2,029)	—	—	11,846	(11,846)	—	—	13,875	(13,875)	—	—
Total operating revenues	141,898	614	—	142,512	103,236	(1,162)	—	102,074	245,134	(548)	—	244,586
Operating expenses:												
Library services	136,582	—	—	136,582	74,855	—	—	74,855	211,437	—	—	211,437
Fundraising and membership development	998	—	—	998	7,172	—	—	7,172	8,170	—	—	8,170
Management and general	12,359	—	—	12,359	10,949	—	—	10,949	23,308	—	—	23,308
Total operating expenses	149,939	—	—	149,939	92,976	—	—	92,976	242,915	—	—	242,915
Additions to research collections	—	—	—	—	10,361	—	—	10,361	10,361	—	—	10,361
Total operating expenses and additions to research collections	149,939	—	—	149,939	103,337	—	—	103,337	253,276	—	—	253,276
Change in net assets from operating activities, before gains on sales of real estate	(8,041)	614	—	(7,427)	(101)	(1,162)	—	(1,263)	(8,142)	(548)	—	(8,690)
Gains on sales of real estate, net	1,021	—	—	1,021	79,746	—	—	79,746	80,767	—	—	80,767
Change in net assets from operating activities	(7,020)	614	—	(6,406)	79,645	(1,162)	—	78,483	72,625	(548)	—	72,077
Nonoperating activities:												
Endowment contributions and funds designated for long-term investment	—	4,750	3,987	8,737	9,259	21,621	5,451	36,331	9,259	26,371	9,438	45,068
Appropriations and contributions for capital	8,127	53	—	8,180	4,687	251	—	4,938	12,814	304	—	13,118
Contributed property for use	14,466	—	—	14,466	—	—	—	—	14,466	—	—	14,466
Depreciation and amortization	(9,138)	—	—	(9,138)	(14,020)	—	—	(14,020)	(23,158)	—	—	(23,158)
Investment return, net of amounts appropriated	(1,098)	(878)	—	(1,976)	(21,293)	(32,197)	209	(53,281)	(22,391)	(33,075)	209	(55,257)
Postretirement benefits changes other than net periodic benefit cost	(17,061)	—	—	(17,061)	(12,245)	—	—	(12,245)	(29,306)	—	—	(29,306)
Change in value of interest rate swaps	—	—	—	—	(5,255)	—	—	(5,255)	(5,255)	—	—	(5,255)
Net assets released from restrictions for capital and contributions receivable released from time restrictions and board designated for long-term investment	2,205	(2,205)	—	—	24,832	(24,832)	—	—	27,037	(27,037)	—	—
Change in donor designation	12	1,608	—	1,620	(2,053)	433	—	(1,620)	(2,041)	2,041	—	—
Change in net assets from nonoperating activities	(2,487)	3,328	3,987	4,828	(16,088)	(34,724)	5,660	(45,152)	(18,575)	(31,396)	9,647	(40,324)
Change in net assets	(9,507)	3,942	3,987	(1,578)	63,557	(35,886)	5,660	33,331	54,050	(31,944)	9,647	31,753
Net assets at beginning of year	50	15,400	25,903	41,353	241,493	253,235	390,697	885,425	241,543	268,635	416,600	926,778
Net assets (deficit) at end of year	$ (9,457)	19,342	29,890	39,775	305,050	217,349	396,357	918,756	295,593	236,691	426,247	958,531

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Functional Expenses and Additions to Research Collections

Year ended June 30, 2012

(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	$ 56,276	36,290	92,566	458	3,089	3,547	6,875	5,484	12,359	15,906	108,472
Fringe benefits	30,113	19,199	49,312	242	1,671	1,913	3,515	2,950	6,465	8,378	57,690
Books and library materials	14,246	—	14,246	—	—	—	—	—	—	—	14,246
Binding and conservation expenditures	136	470	606	—	—	—	—	—	—	—	606
Office-related expenditures	900	493	1,393	53	289	342	42	138	180	522	1,915
Equipment rental and maintenance	1,767	1,001	2,768	—	73	73	227	106	333	406	3,174
Telecommunications	1,363	750	2,113	—	4	4	80	90	170	174	2,287
Building repairs and related expenditures	15,500	4,472	19,972	—	43	43	187	152	339	382	20,354
Contributed rent and utilities	7,631	2,441	10,072	—	—	—	—	—	—	—	10,072
Professional services	5,361	5,804	11,165	119	686	805	1,007	1,235	2,242	3,047	14,212
Promotional and special event expenses	425	342	767	126	1,296	1,422	111	232	343	1,765	2,532
Interest and accretion expense	1,668	1,294	2,962	—	—	—	62	61	123	123	3,085
Insurance expense	923	752	1,675	—	—	—	39	37	76	76	1,751
Other expenses	273	1,547	1,820	—	21	21	214	464	678	699	2,519
Total functional expenses before additions to research collections and depreciation and amortization	136,582	74,855	211,437	998	7,172	8,170	12,359	10,949	23,308	31,478	242,915
Additions to research collections	—	10,361	10,361	—	—	—	—	—	—	—	10,361
Depreciation and amortization	8,978	13,862	22,840	—	—	—	160	158	318	318	23,158
Total expenses	$ 145,560	99,078	244,638	998	7,172	8,170	12,519	11,107	23,626	31,796	276,434

See accompanying independent auditors' report.