

FINANCIAL STATEMENTS

The New York Public Library,
Astor, Lenox and Tilden Foundations
Year Ended June 30, 2009 with Summarized Financial Information
for the Year Ended June 30, 2008
With Report of Independent Auditors

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

Financial Statements

Year Ended June 30, 2009
with Summarized Financial Information for the Year Ended June 30, 2008

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Report of Independent Auditors

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

We have audited the accompanying balance sheet of The New York Public Library, Astor, Lenox and Tilden Foundations (the “Library”) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Library’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Library’s 2008 financial statements and, in our report dated October 21, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The New York Public Library, Astor, Lenox and Tilden Foundations at June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

November 20, 2009

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

Balance Sheets
(In Thousands of Dollars)

	June 30	
	2009	2008
Assets		
Cash and cash equivalents (Note 2)	\$ 138,175	\$ 140,208
Receivables, net (Note 4)	171,420	146,344
Other assets	4,121	3,730
Assets restricted as to use (Notes 3 and 5)	3,776	3,829
Investments, at fair value (Notes 3 and 6)	589,993	753,785
Real estate investment, at cost	15,521	15,521
Fixed assets, net (Note 8)	184,328	152,549
Collections (Note 2)	–	–
Total assets	\$ 1,107,334	\$ 1,215,966
Liabilities		
Accounts payable, accrued expenses, and other liabilities (Notes 2 and 9)	\$ 69,063	\$ 50,034
Deferred revenue – City of New York and other (Note 2)	120,696	101,043
Long-term debt (Note 11)	95,930	99,400
Interest rate swaps (Notes 3 and 11)	11,424	7,377
Accrued postretirement benefits (Notes 2 and 10)	144,735	126,374
Total liabilities	441,848	384,228
Commitments and contingencies (Note 16)		
Net assets		
The Branch Libraries:		
Unrestricted	(84,251)	(67,363)
Temporarily restricted (Note 12)	69,296	62,439
Permanently restricted (Note 13)	14,205	14,086
The Research Libraries and Library-wide Programs:		
Unrestricted, primarily trustee-designated and net investment in fixed assets (Notes 2 and 7)	49,328	254,108
Temporarily restricted, including promises to give and net investment in fixed assets (Note 12)	238,026	190,181
Permanently restricted (Note 13)	378,882	378,287
Total net assets	665,486	831,738
Total liabilities and net assets	\$ 1,107,334	\$ 1,215,966

See accompanying notes.

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

Statement of Activities

Year Ended June 30, 2009

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

(In Thousands of Dollars)

	The Branch Libraries				The Research Libraries and Library-wide Programs				All Funds			2009 Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating support and revenues and reclassifications													
City of New York	\$ 121,418	\$ 13,685	\$ -	\$ 135,103	\$ 35,709	\$ 8,864	\$ -	\$ 44,573	\$ 157,127	\$ 22,549	\$ -	\$ 179,676	\$ 142,574
State of New York	11,741	-	-	11,741	15,909	-	-	15,909	27,650	-	-	27,650	25,239
Federal government	955	-	-	955	1,096	-	-	1,096	2,051	-	-	2,051	1,486
Contributed rent, energy and other services (Note 2)	27,703	-	-	27,703	37,115	-	-	37,115	64,818	-	-	64,818	62,243
Contributions from individuals, corporations and foundations, including promises to give	2,150	2,884	-	5,034	27,005	4,792	-	31,797	29,155	7,676	-	36,831	41,231
Investment income used for operations, net (Note 6)	898	405	-	1,303	28,522	7,095	-	35,617	29,420	7,500	-	36,920	33,011
Fines, royalties, and other revenue	5,521	-	-	5,521	8,984	470	-	9,454	14,505	470	-	14,975	20,812
	170,386	16,974	-	187,360	154,340	21,221	-	175,561	324,726	38,195	-	362,921	326,596
Net assets released from restrictions (Note 14)	5,287	(5,287)	-	-	12,358	(12,358)	-	-	17,645	(17,645)	-	-	-
Total operating support and revenues and reclassifications	175,673	11,687	-	187,360	166,698	8,863	-	175,561	342,371	20,550	-	362,921	326,596
Operating expenses													
Library services:													
Books and other library materials (Note 2)	16,466	-	-	16,466	-	-	-	-	16,466	-	-	16,466	14,422
Salaries and other expenses	155,431	-	-	155,431	135,244	-	-	135,244	290,675	-	-	290,675	261,299
Depreciation and amortization	2,667	-	-	2,667	8,120	-	-	8,120	10,787	-	-	10,787	10,460
Total library services	174,564	-	-	174,564	143,364	-	-	143,364	317,928	-	-	317,928	286,181
Fundraising and membership development	721	-	-	721	6,794	-	-	6,794	7,515	-	-	7,515	7,903
Management and general	10,898	-	-	10,898	14,309	-	-	14,309	25,207	-	-	25,207	25,063
Total operating expenses	186,183	-	-	186,183	164,467	-	-	164,467	350,650	-	-	350,650	319,147
Additions to collections (Note 2)	-	-	-	-	12,642	-	-	12,642	12,642	-	-	12,642	15,325
Total operating expenses and additions to collections	186,183	-	-	186,183	177,109	-	-	177,109	363,292	-	-	363,292	334,472
(Deficiency) excess of operating support and revenues and reclassifications over operating expenses and additions to collections	(10,510)	11,687	-	1,177	(10,411)	8,863	-	(1,548)	(20,921)	20,550	-	(371)	(7,876)
Non-operating support, revenues, gains and losses													
Gain from sale of donated art properties not capitalized (Note 2)	-	-	-	-	221	-	-	221	221	-	-	221	517
Additions to permanently restricted net assets	-	-	558	558	-	-	21,427	21,427	-	-	21,985	21,985	25,465
Funds designated for long-term investment	-	-	-	-	4,767	11,745	-	16,512	4,767	11,745	-	16,512	97,587
Investment return earned less than amounts used for operations (Note 6)	(4,392)	(2,449)	(6)	(6,847)	(108,576)	(72,309)	(5,681)	(186,566)	(112,968)	(74,758)	(5,687)	(193,413)	(65,775)
Postretirement benefits changes other than net periodic benefit cost	(4,224)	-	-	(4,224)	(2,915)	-	-	(2,915)	(7,139)	-	-	(7,139)	(1,103)
Change in value of interest rate swaps	-	-	-	-	(4,047)	-	-	(4,047)	(4,047)	-	-	(4,047)	(4,512)
Net assets released from time restrictions	-	-	-	-	22,000	(22,000)	-	-	22,000	(22,000)	-	-	-
Change in net assets before re-designation of net assets	(19,126)	9,238	552	(9,336)	(98,961)	(73,701)	15,746	(156,916)	(118,087)	(64,463)	16,298	(166,252)	44,303
Re-designation of net assets (Note 2)	2,238	(2,381)	(433)	(576)	(105,819)	121,546	(15,151)	576	(103,581)	119,165	(15,584)	-	-
Change in net assets	(16,888)	6,857	119	(9,912)	(204,780)	47,845	595	(156,340)	(221,668)	54,702	714	(166,252)	44,303
Net assets (deficit) at beginning of year	(67,363)	62,439	14,086	9,162	254,108	190,181	378,287	822,576	186,745	252,620	392,373	831,738	787,435
Net assets (deficit) at end of year	\$ (84,251)	\$ 69,296	\$ 14,205	\$ (750)	\$ 49,328	\$ 238,026	\$ 378,882	\$ 666,236	\$ (34,923)	\$ 307,322	\$ 393,087	\$ 665,486	\$ 831,738

See accompanying notes.

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

Statements of Cash Flows
(In Thousands of Dollars)

	Year Ended June 30	
	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (166,252)	\$ 44,303
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net change in unrealized depreciation of investments	105,978	79,160
Net realized losses (gains) on sales of investments	48,643	(46,993)
Depreciation and amortization	10,787	10,460
Deferred rent expense	1,149	2,541
Postretirement benefits changes other than net periodic benefit cost	7,139	1,103
Net change in value of interest rate swaps	4,047	4,512
Gain from sale of donated art properties not capitalized	(221)	(517)
Contributions and other revenues restricted to acquisition of long-lived assets	(23,925)	(4,972)
Permanently restricted contributions	(21,985)	(25,465)
Permanently restricted investment income	(196)	(296)
Donor-permitted spending from permanently restricted net assets to support operations	5,883	-
Changes in operating assets and liabilities:		
Decrease (increase) in receivables, except for contributions and other receivables restricted to permanent investment and long-lived assets	3,093	(95,990)
Increase in other assets	(495)	(490)
Increase in accounts payable, accrued expenses, other liabilities and accrued postretirement benefits	29,102	17,666
Increase (decrease) in deferred revenue	19,653	(21,977)
Net cash provided by (used in) operating activities	22,400	(36,955)
Cash flows from investing activities		
Investment in fixed assets	(42,462)	(12,159)
Proceeds from sale of donated art properties not capitalized	221	517
Purchases of investments	(261,823)	(252,638)
Proceeds from sales of investments	271,047	271,708
Net cash (used in) provided by investing activities	(33,017)	7,428
Cash flows from financing activities		
Increase in contributions and other receivables restricted to permanent investment and acquisition of long-lived assets	(28,169)	(6,753)
Contributions and other revenues restricted to acquisition of long-lived assets	23,925	4,972
Permanently restricted contributions	21,985	25,465
Permanently restricted investment income	196	296
Donor-permitted spending from permanently restricted net assets to support operations	(5,883)	-
Principal payments on long-term borrowings	(3,470)	(3,310)
Net cash provided by financing activities	8,584	20,670
Net decrease in cash and cash equivalents	(2,033)	(8,857)
Cash and cash equivalents at beginning of year	140,208	149,065
Cash and cash equivalents at end of year	\$ 138,175	\$ 140,208
Supplemental disclosures		
Long-term contributions receivable restricted for acquisition of long-lived assets	\$ 1,798	\$ 2,485
Income taxes paid	\$ 470	\$ 787

See accompanying notes.

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

Notes to Financial Statements

June 30, 2009
(In Thousands of Dollars)

1. The Library

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

Although the Library is not a governmental institution, it receives significant support through governmental appropriations in addition to the support received from private sources. In accordance with a 1901 agreement with the City of New York (the “City”), funding for the 85 branch libraries operated by the Library in the boroughs of Manhattan, the Bronx and Staten Island is provided primarily by the City and the State of New York (the “State”), and the continuing operations of the branches is dependent upon such support. The Library also operates, at four locations in the borough of Manhattan, research libraries that are partially funded by the City, the State and the Federal government, and principally by private sources and investment income.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Net Asset Classifications

The accompanying financial statements have been prepared using the accrual basis of accounting.

The financial statements present information regarding the Library’s financial position and activities according to three net asset classes: unrestricted, temporarily restricted and permanently restricted.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. As reflected in the accompanying balance sheets, the Library's Board of Trustees has designated a portion of the unrestricted net assets of The Research Libraries and Library-wide Programs for long-term investment purposes (i.e., to function as endowment – see Note 7) and future expenditures, and management may earmark a portion of the net assets for the following year's operations. The portion of unrestricted net assets of The Research Libraries and Library-wide Programs designated for long-term investment includes certain unrestricted bequests in excess of an authorized amount appropriated for operations, proceeds from sale of certain assets (such as proceeds from sale of art properties), and unrestricted appreciation on permanently restricted endowment funds in excess of amount authorized for spending. At June 30, 2009 and 2008, these amounts totaled \$153,314 and \$326,361, respectively. These amounts exclude the cumulative charge to unrestricted net assets relating to the Library's obligation under FASB Statement 158.

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

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

During fiscal year 2009, certain net assets were redesignated among net asset classes, primarily relating to debt-funded fixed assets, donor release of appreciation add-back requirements to principal on endowment funds, and time-restricted contributions receivable previously classified as unrestricted net assets, to properly reflect the nature of restrictions or the absence thereof, on the use of such net assets.

Revenue Recognition

The Library records appropriations, grants and earned revenues (e.g., fines, royalties and other revenues) on an accrual basis. In addition, the Library records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give, certain contributed rent, energy and other services, and gifts of long-lived and other assets (exclusive of collection items). Contributions are recorded net of estimated uncollectible amounts.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

The Library records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions (see Note 14). 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. Contributions or other revenues that the donor or grantor requires to be used to acquire long-lived assets (e.g., buildings, building improvements, furniture, fixtures and equipment) are reported as temporarily restricted. Once the long-lived assets have been acquired and placed in service, the Library reflects the expiration of the donor-imposed restriction over the useful life of the long-lived asset as a reclassification included in net assets released from restrictions.

Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Substantially all of the Library's grants and appropriations are considered to be contributions, some of which are conditional, for purposes of applying revenue recognition policies.

Investment income, including net realized and unrealized gains that are available for spending from the Library's long-term investments, equal to the annual spending amount authorized by the Library's Board of Trustees (see Note 7), is recognized as operating revenue. Investment income earned in excess of (less than) the annual authorized spending amount is recognized as non-operating investment return.

The Library occupies the Stephen A. Schwarzman Building at Fifth Avenue and 42nd Street and certain branch libraries under rent-free arrangements with the City and the State. The City pays the utility costs (heat, light and power) of properties occupied by the Library. Except for the Library for the Performing Arts, where the Library pays the utility costs directly as part of its general services expense and is subsequently reimbursed by the City (amounting to \$765 for fiscal year 2009), the revenues to fund these expenditures are recorded by the Library as contributed rent, energy and other services, offset by equal charges to the appropriate expense category.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

The following amounts have been included in contributed rent, energy and other services and expense for the year ended June 30, 2009:

	Rent	Heat, Light and Power	Total
The Branch Libraries	\$ 21,468	\$ 6,235	\$ 27,703
The Research Libraries and Library-wide Programs	34,390	2,725	37,115
Total	<u>\$ 55,858</u>	<u>\$ 8,960</u>	<u>\$ 64,818</u>

Amounts paid directly by the City from its capital budget appropriations to third-party vendors for certain equipment and for improvements to City-owned properties occupied by the Library are not recorded by the Library. In fiscal 2009, such amounts were approximately \$14,088.

Investments

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

Investments, except for investment in real estate, are recorded at fair value. The values of marketable securities, mutual fund holdings and investments related to split-interest agreements are based on quoted market prices. The values of non-marketable investments (i.e., alternative investments) are determined by management based on information provided by the investment manager. Values may be based on estimates that require varying degrees of judgment for investments where readily available fair values do not exist. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. The financial statements of the investees are audited annually by independent auditors.

Investment in real estate is carried at the lower of cost or appraised fair value.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Split-Interest Agreements

The Library has an interest in certain irrevocable charitable gift annuities and pooled income funds (split-interest agreements) administered by a third party. These assets are included in investments in the accompanying financial statements and are valued at approximately \$6,443 and \$7,623 at June 30, 2009 and 2008, respectively.

Measure of Operations

The Library includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of (or less than) the Library's aggregate authorized spending rate, the gain (loss) on interest rate swaps, contributions to permanently restricted net assets, gain from the sale of donated art properties, certain unrestricted bequests and funds designated by the Library's Board of Trustees for long-term investment, and postretirement benefit changes other than net periodic benefit cost are recognized as non-operating revenues, support, gains and losses.

Operating Expenses

The costs of providing library services and other activities have been summarized in the accompanying statement of activities. Management and general expenses for The Research Libraries and Library-wide Programs include costs of certain executive functions that benefit both the Research and Branch Libraries, but are not allocated to The Branch Libraries. These costs were approximately \$1,890 and \$1,922 in fiscal 2009 and 2008, respectively.

Fundraising and Development

Fundraising activities of the Library include working with program staff to develop statements of need for private fundraising; soliciting contributions for those needs and for the Annual Fund from individuals, corporations and foundations; and conducting special fundraising events (the cost of which was approximately \$1,096 and \$1,287 in fiscal 2009 and 2008, respectively). Revenues raised from special fundraising events were \$5,368 and \$6,252 in fiscal 2009 and 2008, respectively. The portion of the costs of these events that provided a direct benefit to donors was \$198 and \$196 in fiscal 2009 and 2008, respectively.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Membership development activities consist of outreach efforts to secure membership contributions and create awareness of the Library and its programs. These efforts were facilitated by direct mail, the cost of which was approximately \$1,290 and \$1,285 in fiscal 2009 and 2008, respectively. Fundraising costs are expensed as incurred.

Operating Leases

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

Fixed Assets

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

Fixed asset activities reflect expenses incurred on certain construction and renovation projects for City-owned properties in which the Library acts as general contractor on behalf of the City. Pursuant to the pertinent contracts, the Library is reimbursed for substantially all of the expenses it incurs. These expenditures and reimbursements, which approximated \$19,585 and \$6,212 in fiscal 2009 and 2008, respectively, are included in the accompanying statement of activities and are not capitalized by the Library.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Collections

The Library has extensive collections of library materials, including books, periodicals and other items. These collections are maintained by The Research Libraries under curatorial care and are held for research, education and public exhibition in furtherance of public service. Proceeds from the sales of collections are used to acquire other items for collections. The cost of collections purchased by the Library for The Research Libraries is charged to expense in the year purchased and donated collection items are not recorded. The value of the Library's collections cannot be determined. The Library has also received certain donated art properties that are not considered a part of its collections, and that have not been capitalized. During fiscal years 2009 and 2008, the Library sold certain properties of art. The Library's Board of Trustees has designated such proceeds for long-term investment with earnings thereon to support additions to collections in The Research Libraries. The cost of books and other library materials purchased by The Branch Libraries is not recorded as collections, but is charged as a Library services expense in the year purchased because, largely by reason of their frequent use, such items are exhaustible over a short period of time.

Volunteers

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

Cash and Cash Equivalents

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

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Deferred Revenue

During the years ended June 30, 2009 and 2008, the Library received an advance of \$118,022 and \$98,913, respectively, from the City to be used for fiscal 2010 and 2009 operations, respectively. These amounts are reflected as deferred revenue at June 30, 2009 and 2008. In addition, during fiscal 2009 and 2008, the Library received payments on certain State grants in advance of incurring expenses, which are also included in deferred revenue at June 30, 2009 and 2008.

Derivative Instruments

The Library follows the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. SFAS Nos. 133 and 149 require that all derivative financial instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. The Library uses derivative instruments (interest rate swaps) to manage its exposure to long-term debt (see Note 11). The fair value of the interest rate swaps and changes therein are included in the accompanying financial statements and are based upon discounted expected future cash flows based on current economic indicators.

Asset Retirement Obligations

In accordance with the provisions of Financial Accounting Standards Board (“FASB”) Interpretation 47 (“FIN 47”), *Accounting for Conditional Asset Retirement Obligations – an interpretation of FASB Statement No. 143*, the Library has recognized a liability for the fair value of legally required asset retirement obligations (e.g., asbestos remediation) associated with long-lived assets that are either owned or leased by the Library. The fair value of the Library’s asset retirement obligations was \$2,071 and \$1,650 at June 30, 2009 and 2008, respectively, and is reflected in accounts payable, accrued expenses, and other liabilities in the accompanying financial statements. For City-owned facilities, the Library believes that the City will reimburse all costs incurred in connection with asset retirement obligations.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Postretirement Benefits Other Than Pensions

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

Recently Issued Accounting Standards

Effective July 1, 2008, the Library adopted FASB Statement No. 157, *Fair Value Measurements* (“Statement 157”). Statement 157 defines fair value, requires expanded disclosures about fair value measurements and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs), and the lowest priority to measurements involving significant unobservable inputs (Level 3 inputs).

Effective June 30, 2009, the Library elected to apply the concepts of FASB Staff Position No. FAS 157-g, *Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, Investment Companies* (“FSP FAS 157-g”), to its hedge fund and private equity investments (components of its alternative investments). This guidance amends Statement 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Effective June 30, 2009, the Library adopted FASB Statement No. 165, *Subsequent Events* (“Statement 165”). Statement 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Library evaluated events subsequent to June 30, 2009 and through November 20, 2009, the date on which the financial statements were approved for issuance. The adoption of Statement 165 had no impact on the Library’s financial statements.

Effective July 1, 2008, the Library adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (“FSP FAS 117-1”). FSP FAS 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds. As of June 30, 2009, New York State had not enacted the provisions of UPMIFA and, accordingly, the impact of FSP FAS 117-1 has been limited to additional disclosures regarding the Library’s endowment funds.

On July 1, 2009, the FASB launched the FASB Accounting Standards Codification (“the Codification”) as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP), bringing together in one place all authoritative GAAP. The Codification is effective for the Library’s fiscal year ending June 30, 2010. All existing accounting standards documents are superseded as described in FASB Statement No. 168, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*. All other accounting literature not included in the Codification is nonauthoritative.

While not intended to change U.S. GAAP, the Codification significantly changes the way in which accounting literature is organized. It is organized by accounting topic, which should enable users to more quickly identify the guidance that applies to a specific accounting issue. However, since the Codification will completely replace existing standards, the Codification will affect the way organizations reference U.S. GAAP in their financial statements and accounting policies.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

2. Summary of Significant Accounting Policies (continued)

Related Party Transactions

During the normal course of business, the Library occasionally engages in transactions with entities with which officers or members of its Board of Trustees may be affiliated. The Library has a policy requiring disclosure and evaluation of any actual or potential conflict of interest. As required by the policy, all actual or potential conflicts of interest arising during the year have been evaluated by the designated Library officers and Chairman of the Board, and when deemed appropriate, by the Compensation Committee of the Board, to ensure proper disposition of the actual or potential conflict.

Use of Estimates

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

2008 Summarized Financial Information

The accompanying statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Library's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Reclassifications

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

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

3. Fair Value Measurements

At June 30, 2009 and June 30, 2008, the carrying values of the Library's cash and cash equivalents, receivables, other assets, accounts payable, accrued expenses, and other liabilities, deferred revenue, long-term debt and accrued postretirement benefits approximated their fair values.

Under Statement 157, which prioritizes the inputs to valuation techniques used to measure fair value, the three levels of the fair value hierarchy are 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.

The Library's assets and liabilities at June 30, 2009 that are reported at fair value (exclusive of those mentioned above) are summarized in the following table by their fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Common stocks	\$ 84,022	\$ -	\$ -	\$ 84,022
Commingled bond funds	240	24,504	-	24,744
Limited partnerships – public investments	-	137,095	176,132	313,227
Limited partnership – private investments	-	-	48,655	48,655
Mutual funds	-	5,801	-	5,801
Short-term investments	113,544	-	-	113,544
Total investments	<u>197,806</u>	<u>167,400</u>	<u>224,787</u>	<u>589,993</u>
Other assets:				
Assets restricted as to use	3,776	-	-	3,776
Total assets	<u>\$ 201,582</u>	<u>\$ 167,400</u>	<u>\$ 224,787</u>	<u>\$ 593,769</u>
Liabilities – interest rate swaps		<u>\$ (11,424)</u>		<u>\$ (11,424)</u>

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

3. Fair Value Measurements (continued)

The following table presents the Library's activity for the fiscal year ended June 30, 2009 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Statement 157:

	Limited Partnerships – Public	Limited Partnerships – Private	Total
Fair value at June 30, 2008	\$ 234,203	\$ 47,492	\$ 281,695
Acquisitions	73,631	19,743	93,374
Dispositions	(68,995)	(6,643)	(75,638)
Investment losses	(16,627)	(345)	(16,972)
Unrealized losses on investments	(46,080)	(11,592)	(57,672)
Fair value at June 30, 2009	176,132	48,655	224,787
Total losses for the year ended June 30, 2009 included in changes in net assets attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2009	\$ (46,080)	\$ (11,814)	\$ (57,894)

4. Receivables

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

	2009	2008
City of New York (construction receivables)	\$ 28,236	\$ 3,853
City of New York – other	1,282	1,682
State of New York	11,801	9,230
Promises to give from individuals, corporations and foundations	124,059	126,940
Other	6,042	4,639
Total receivables, net	\$ 171,420	\$ 146,344

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

4. Receivables (continued)

Receivables, net of estimated uncollectible amounts and, for promises to give, net of discount (at risk-adjusted rates ranging from 3.0% to 5.9% as of June 30, 2009 and 2008), to present value of approximately \$17,513 and \$22,007 as of June 30, 2009 and 2008, respectively, are due to be collected as follows at June 30:

	2009	2008
Within one year	\$ 84,813	\$ 50,117
One to five years	76,315	90,262
Greater than five years	10,292	5,965
Total	\$ 171,420	\$ 146,344

Included in promises to give in fiscal 2009 and 2008 is approximately \$81,722 and \$91,976, respectively, of donor unrestricted commitments that have been designated by the Board of Trustees as funds functioning as endowment. Also included in promises to give is approximately \$1,370 for exhibitions and programs (\$1,583 in fiscal 2008), approximately \$28,517 and \$22,209 in fiscal 2009 and 2008, respectively, of permanently restricted contributions, and approximately \$10,652 and \$8,687 in 2009 and 2008, respectively, of other restricted amounts. The Library also had promises to give of approximately \$1,798 and \$2,485 in fiscal 2009 and 2008, respectively, for funds restricted to long-lived assets.

The Library has received conditional promises to give of approximately \$35,723 and \$36,555 in fiscal 2009 and 2008, respectively, in the form of specific bequests and matching grants that have not been reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met. In addition, the Library has certain cost reimbursement contracts totaling approximately \$2,934 and \$1,706 as of June 30, 2009 and 2008, respectively, which are not reflected in the accompanying financial statements because the conditions on which they depend have not been substantially met.

Construction receivables consist of billed and unbilled amounts to be reimbursed by the City for construction projects in progress, under pertinent agreements. The Library has executed agreements for substantially all such receivables at June 30, 2009.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

5. Assets Restricted As to Use

Assets restricted as to use consist of amounts restricted for debt service under the terms of the Series 1999 bond agreement (see Note 11). Such amounts are invested in U.S. Treasury notes and investment grade obligations that are carried at quoted market value, which approximates cost. The carrying value of assets restricted as to use was \$3,776 and \$3,829 at June 30, 2009 and 2008, respectively.

6. Investments

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

	2009		2008	
	Carrying Value	Cost	Carrying Value	Cost
Common stocks	\$ 84,022	\$ 97,153	\$ 120,141	\$ 122,865
Commingled bond funds	24,744	21,774	98,097	90,087
Limited partnerships – public investments	313,227	220,830	467,892	297,685
Limited partnerships – private investments	48,655	61,016	47,492	48,263
Mutual funds	5,801	6,495	7,445	7,008
Short-term investments	113,544	114,382	12,718	13,556
Total	\$ 589,993	\$ 521,650	\$ 753,785	\$ 579,464

As discussed in Note 2, effective June 30, 2009, the Library elected to apply the concepts of FSP FAS 157-g to its alternative investments. The guidance amends Statement 157 and permits, as a practical expedient, fair value of investments within its scope to be estimated using net asset value per share or its equivalent.

The Library's alternative investments include:

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

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

6. Investments (continued)

Limited partnerships – private investments include interests in limited partnerships and limited liability corporations that invest principally in venture capital, private equity, and real estate.

As of June 30, 2009, the estimated fair value of the Library’s alternative investments totaled \$361,882. The limitations and restrictions on the Library’s ability to redeem or sell these investments vary by investment and range from required notice periods (generally 30 to 180 days after initial lock-up periods) for certain absolute return or hedge fund structures. Of the Library’s hedge fund investments of \$156,796 at June 30, 2009, \$92,969 was restricted from redemption for lock-up periods. Private equity and venture capital fund structures are usually subject to longer lock-up terms, with fund lives ranging from 10 to 15 years with a series of possible one-year extensions. Based upon the terms and conditions in effect at June 30, 2009, the Library’s alternative investments can be redeemed or sold as follows:

2010	\$ 223,317
2011	57,457
2012	13,745
2013	2,863
2014	–
2015-2019	47,234
Thereafter	17,266
Total	<u>\$ 361,882</u>

At June 30, 2009, the Library’s remaining outstanding commitments to private equity partnerships totaled \$50,563. The projected capital call amounts are summarized in the table below:

2010	\$ 24,106
2011	13,894
2012	7,455
2013	5,108
Total	<u>\$ 50,563</u>

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

6. Investments (continued)

The private equity partnerships have terms of 10 to 15 years with possible extensions of 1 to 5 years. As of June 30, 2009, the average remaining life of the private equity partnerships is approximately 10.5 years.

The following schedule summarizes the Library's investment return and classification thereof in the accompanying statement of activities for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income, net of investment expenses of \$7,270	\$ (1,013)	\$ (861)	\$ 2	\$ (1,872)
Net realized (losses) gains	(26,313)	(22,391)	61	(48,643)
Net unrealized (losses) gains	(57,199)	(48,912)	133	(105,978)
Total return on investments	(84,525)	(72,164)	196	(156,493)
Donor-permitted spending from permanently restricted net assets to support operations	977	4,906	(5,883)	-
Investment return designated for current operations	29,420	7,500	-	36,920
Deficiency of investment return over amounts used for operations	\$ (112,968)	\$ (74,758)	\$ (5,687)	\$ (193,413)

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

7. Endowment Funds

Certain of the Library's long-term investments are pooled to facilitate their management ("endowment" or "endowment funds"). The Library's endowment consists of approximately 387 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Library to function as endowments. At June 30, 2009, the fair values of approximately 129 donor-restricted endowment funds were less than their original fair value ("underwater") by a total of approximately \$40,311.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

7. Endowment Funds (continued)

The Library employs an asset allocation spending model having a multiyear 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 2009 and 2008.

On July 1, 2008, the Library adopted the disclosure provisions of FSP FAS 117-1, which requires additional disclosures on endowment funds. FSP FAS 117-1 prescribes new guidelines for expenditures of a donor-restricted fund for organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act. Its predecessor, the Uniform Management of Institutional Funds Act of 1972 (UMIFA), to which the Library remains subject as of June 30, 2009, focused on the prudent spending of the net appreciation of a fund.

The Library has interpreted the UMIFA and the New York State Trust Laws as requiring the preservation of the original gift 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 applicable donor gift instrument at the time the accumulation is added to the fund.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted amounts reported below include appreciation, net of the underwater amount of endowment funds, reported as unrestricted net assets.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

7. Endowment Funds (continued)

Endowment net assets consisted of the following at June 30:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted	\$ (3,517)	\$ 86,199	\$ 364,570	\$ 447,252
Board-designated funds functioning as endowment	144,471	444	–	144,915
Total	<u>\$ 140,954</u>	<u>\$ 86,643</u>	<u>\$ 364,570</u>	<u>\$ 592,167</u>
	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ 66,910	\$ 145,782	\$ 370,164	\$ 582,856
Board-designated funds functioning as endowment	157,967	602	–	158,569
Total	<u>\$ 224,877</u>	<u>\$ 146,384</u>	<u>\$ 370,164</u>	<u>\$ 741,425</u>

Changes in endowment net assets for the fiscal years ended June 30, 2009 and 2008 were as follows:

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at June 30, 2008	\$ 224,877	\$ 146,384	\$ 370,164	\$ 741,425
Investment return	(27,371)	(23,252)	63	(50,560)
Unrealized (losses) gains	(56,066)	(48,912)	133	(104,845)
Contributions and other additions	27,390	–	15,677	43,067
Distributions	(29,420)	(7,500)	–	(36,920)
Transfers	1,544	19,923	(21,467)	–
Net assets at June 30, 2009	<u>\$ 140,954</u>	<u>\$ 86,643</u>	<u>\$ 364,570</u>	<u>\$ 592,167</u>

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

7. Endowment Funds (continued)

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net assets at June 30, 2007	\$ 234,572	\$ 191,644	\$ 352,977	\$ 779,193
Investment return	2,115	43,907	296	46,318
Unrealized losses	(3,093)	(75,420)	–	(78,513)
Contributions and other additions	7,209	–	20,229	27,438
Distributions	(27,231)	(5,780)	–	(33,011)
Transfers	11,305	(7,967)	(3,338)	–
Net assets at June 30, 2008	\$ 224,877	\$ 146,384	\$ 370,164	\$ 741,425

8. Fixed Assets

Fixed asset balances at June 30 were as follows:

	2009	2008
Land	\$ 3,308	\$ 3,308
Buildings	78,169	78,169
Building improvements	233,796	219,571
Leasehold improvements	24,905	1,668
Equipment	22,661	17,661
	362,839	320,377
Less accumulated depreciation and amortization	178,511	167,828
	\$ 184,328	\$ 152,549

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

8. Fixed Assets (continued)

Fixed asset activities reflect expenditures for construction, renovations, the purchase of equipment and real estate owned by the Library, costs incurred to renovate or build out leased property, and expenditures incurred to renovate City- and/or State-owned facilities that are privately funded. These expenditures are capitalized and reflected as fixed assets in the accompanying balance sheets. During fiscal 2009 and 2008, changes in the cost of fixed assets are summarized as follows:

Fixed assets, at cost, June 30, 2007	\$ 315,995
Add 2008 capital expenditures	12,159
Less 2008 write-offs of fully depreciated fixed assets no longer in use	<u>(7,777)</u>
Fixed assets, at cost, June 30, 2008	320,377
Add 2009 capital expenditures	42,462
Fixed assets, at cost, June 30, 2009	<u>\$ 362,839</u>

The components of capital expenditures during fiscal 2009 and 2008 were as follows:

	2009	2008
Equipment purchases	\$ 5,000	\$ 1,163
Building improvements	14,225	9,328
Leasehold improvements	23,237	1,668
Total	<u>\$ 42,462</u>	<u>\$ 12,159</u>

Capital expenditures include construction in progress and equipment not yet placed in service of \$27,877 and \$1,668 in fiscal 2009 and 2008, respectively.

9. 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 \$8,454 and \$8,789 during the years ended June 30, 2009 and 2008, respectively.

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

9. Pensions and Postemployment Benefits (continued)

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 appropriations.

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. NYSLRS follows Government Accounting Standards Board Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* (“GASB 25”). Under GASB 25, NYSLRS does not calculate a pension benefit obligation. In addition, NYSLRS does not provide the Library with certain other information required to be disclosed under SFAS No. 132, *Employers’ Disclosures about Pensions and Other Postretirement Benefits*.

For additional information on NYSLRS, refer to the State of New York Comprehensive Annual Financial Report of the Comptroller for the fiscal year ended March 31, 2009.

The Library has recorded a liability of \$6,527 and \$8,195 at June 30, 2009 and 2008, respectively, related to its Service Credit Program where it provides certain benefits to all employees based on certain age and service requirements. The liability is funded on a pay-as-you-go basis. The Library believes that, through future appropriations, the City will fund a significant portion of such benefits as they are paid to employees. Effective December 31, 2008, the Library froze participation in the service-based portion of the Service Credit Program to those who will become eligible as of December 31, 2009.

10. 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 New York Public Library,
Astor, Lenox and Tilden Foundations

Notes to Financial Statements (continued)

(In Thousands of Dollars)

10. Postretirement Benefits Other Than Pensions (continued)

The Library funds its postretirement benefits costs on a pay-as-you-go basis; however, for financial reporting purposes, the Library records these benefits as employees earn them by rendering service. The actuary for the postretirement benefits performed the computations required for financial statement disclosure as of June 30, 2009 and 2008. Employee data as of July 1, 2008 and 2007 were projected forward to the June 30, 2009 and 2008 measurement dates, respectively.

The following table sets forth the changes in the postretirement benefit obligation:

	2009	2008
Accumulated postretirement obligation at beginning of year	\$ 126,374	\$ 116,021
Service cost	4,770	3,742
Interest cost	9,066	7,866
Participant contributions	256	294
Actuarial net loss	8,869	2,478
Benefits paid	(4,757)	(4,159)
Less Federal subsidy on benefits paid	157	132
Accumulated postretirement obligation at end of year	\$ 144,735	\$ 126,374
Accrued postretirement benefits as reflected in the balance sheets	\$ 144,735	\$ 126,374

Amounts recognized in changes in unrestricted net assets:

	2009	2008
Net losses	\$ 34,898	\$ 27,772
Prior service credit	-	(13)
Total	\$ 34,898	\$ 27,759

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

10. Postretirement Benefits Other Than Pensions (continued)

The expected amortization to be included in net periodic postretirement benefit cost for fiscal 2010 is \$1,225 of net actuarial losses.

Net periodic postretirement benefit cost for fiscal 2009 and 2008 includes the following components:

	2009	2008
Service cost	\$ 4,770	\$ 3,742
Interest cost	9,066	7,866
Net amortization and deferral	1,729	1,375
Net periodic postretirement benefit cost	\$ 15,565	\$ 12,983
Weighted-average assumptions used to determine benefit obligations as of June 30 – Discount rate	6.85%	6.50%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30 – Discount rate	6.50%	6.50%

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 8.6% and 9.1% 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%.

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, 2009:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$ 2,875	\$ (2,238)
Effect on the postretirement benefit obligation	\$ 24,470	\$ (19,690)

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

10. Postretirement Benefits Other Than Pensions (continued)

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

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

Fiscal Year Ending	Gross Benefit Payments	Gross Subsidy Receipts	Net Benefit Payment
2010	\$ 5,486	\$ (187)	\$ 5,299
2011	5,959	(209)	5,750
2012	6,476	(232)	6,244
2013	6,990	(246)	6,744
2014	7,599	(298)	7,301
2015-2019	48,139	(2,036)	46,103

A significant portion of the accrued postretirement benefit cost liability relates to Library employees whose positions are funded by appropriations from the City. Payment of the obligations for City-funded employees is expressly contingent upon reimbursement by the City. Absent such reimbursement the Library is not obligated to pay these benefits. However, the Library believes that, through future appropriations, the City will fund such postretirement benefits as they become due.

The Library also contributes to a Taft-Hartley trust that provides certain welfare benefits to active and eligible retired employees of the Library covered by a collective bargaining agreement in City-reimbursed positions. The Library records related expense as contributions are made. Total expense recognized under this plan was \$3,162 and \$3,143 in 2009 and 2008, respectively.

11. Long-Term Debt

In April 1999, the Dormitory Authority of the State of New York (the “Dormitory Authority”) issued \$117,635 in insured, tax-exempt adjustable rate bonds, the proceeds of which were loaned

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

Notes to Financial Statements (continued)

(In Thousands of Dollars)

11. Long-Term Debt (continued)

to the Library. A portion of the proceeds was used to advance refund and redeem outstanding debt and for various construction projects.

The Series 1999 Bonds are scheduled to mature on July 1, 2028 and consist of two tax-exempt components: the Series 1999A adjustable rate bonds (the "Series 1999A Bonds") in the amount of \$82,075 and the Series 1999B adjustable rate bonds (the "Series 1999B Bonds") in the amount of \$35,560. The Series 1999 Bonds were issued at an initial rate of 4% for the six-day initial rate period, after which they bear interest at a weekly rate based on the prevailing market conditions for bonds of the same general nature, unless and until they are converted to a fixed rate. The adjustable rate on the Series 1999 Bonds were 0.18% and 6.50% at June 30, 2009 and 2008, respectively.

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 (the "Letters of Credit"). The Letters of Credit will expire, unless extended or earlier terminated, on November 26, 2013.

In connection with the Series 1999A Bonds, the Library has a swap agreement, whereby the Library pays the swap counterparty a fixed rate of 3.852% on a notional amount equal to the principal amount outstanding on the Series 1999A Bonds at any time, in return for payments from the swap counterparty calculated at a rate equal to 54.5% of the 1-month British Bankers' Association LIBOR (United States Dollar), plus 0.31%. The Dormitory Authority is not a party to the agreement, and has no right to receive payments from, and no liability to make payments to, the counterparty. The fair value of the interest rate swap was a liability of approximately \$7,580 and \$5,136 at June 30, 2009 and 2008, respectively, and is reflected in interest rate swaps in the accompanying financial statements.

In connection with the Series 1999B Bonds, in August 2004, the Library entered into an interest rate swap agreement whereby the Library pays the swap counterparty a fixed rate of 2.00% on a notional amount equal to the principal amount outstanding at any time on the Series 1999B Bonds commencing on September 1, 2004 and ending on June 1, 2007, and 4.009% on the notional amount from July 1, 2007 through July 1, 2028. These payments are made in return for payments from the swap counterparty calculated at a rate equal to the lower of LIBOR or 1-month LIBOR, where LIBOR is equal to the greater of (a) 1-month LIBOR x 68.00% or (b) (1-month LIBOR x 56.00%) plus 0.44%. The Dormitory Authority is not a party to the

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Notes to Financial Statements (continued)

(In Thousands of Dollars)

11. Long-Term Debt (continued)

agreement, and has no right to receive payments from, and no liability to make payments to, the counterparty. The fair value of the interest rate swap was a liability of approximately \$3,844 and \$2,241 at June 30, 2009 and 2008, respectively, and is reflected in interest rate swaps in the accompanying financial statements.

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

The Library's debt is secured by the Letters of Credit and certain gifts and grants received by the Library for its Annual Fund.

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

	2009	2008
Long-term debt consisting of loans of proceeds from the issuance by the Dormitory Authority of:		
Insured adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999A)	\$ 65,485	\$ 68,105
Insured adjustable rate bonds, maturing July 1, 2028, subject to serial redemption (Series 1999B)	30,445	31,295
	\$ 95,930	\$ 99,400

Aggregate maturities of long-term debt, including sinking fund requirements, are as follows at June 30, 2009:

2010	\$ 3,635
2011	3,805
2012	3,980
2013	4,150
2014	4,360
Thereafter	76,000
Total	\$ 95,930

The New York Public Library,
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Notes to Financial Statements (continued)

(In Thousands of Dollars)

11. Long-Term Debt (continued)

For the years ended June 30, 2009 and 2008, interest expense and interest paid was approximately \$4,918 and \$4,524, respectively.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2009 and 2008:

	2009		
	The Branch Libraries	The Research Libraries and Library-wide Programs	Total
Program activities:			
The Branch Libraries Programs	\$ 6,368	\$ –	\$ 6,368
The Research Libraries and Library-wide Programs:			
The Humanities and Social Sciences Library	–	43,676	43,676
Library for the Performing Arts	–	22,913	22,913
Science, Industry and Business Library	–	2,754	2,754
Schomburg Center for Research in Black Culture	–	2,032	2,032
Conservation and cataloging	–	11,213	11,213
Exhibitions and public education programs	–	8,266	8,266
Other – principally, time restricted, and for the general operations of The Research Libraries and Library-wide Programs	–	107,692	107,692
Funds restricted to long-lived assets (expended and unexpended)	62,928	39,480	102,408
Total	\$ 69,296	\$ 238,026	\$ 307,322

The New York Public Library,
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Notes to Financial Statements (continued)

(In Thousands of Dollars)

12. Temporarily Restricted Net Assets (continued)

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

The New York Public Library,
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Notes to Financial Statements (continued)

(In Thousands of Dollars)

13. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income is expendable to support the following at June 30, 2009 and 2008:

	2009		
	The Branch Libraries	The Research Libraries and Library-wide Programs	Total
Program activities:			
The Branch Libraries Programs	\$ 14,205	\$ –	\$ 14,205
The Research Libraries and Library-wide Programs:			
The Humanities and Social Sciences Library	–	153,662	153,662
Library for the Performing Arts	–	35,967	35,967
Science, Industry and Business Library	–	18,267	18,267
Schomburg Center for Research in Black Culture	–	8,011	8,011
Conservation and cataloging	–	16,311	16,311
Exhibitions and public education programs	–	13,531	13,531
Other – principally for the general operations of The Research Libraries and Library-wide Programs	–	133,133	133,133
Total	\$ 14,205	\$ 378,882	\$ 393,087
	2008		
	The Branch Libraries	The Research Libraries and Library-wide Programs	Total
Program activities:			
The Branch Libraries Programs	\$ 14,086	\$ –	\$ 14,086
The Research Libraries and Library-wide Programs:			
The Humanities and Social Sciences Library	–	163,645	163,645
Library for the Performing Arts	–	35,775	35,775
Science, Industry and Business Library	–	21,008	21,008
Schomburg Center for Research in Black Culture	–	8,299	8,299
Conservation and cataloging	–	16,486	16,486
Exhibitions and public education programs	–	14,316	14,316
Other – principally for the general operations of The Research Libraries and Library-wide Programs	–	118,758	118,758
Total	\$ 14,086	\$ 378,287	\$ 392,373

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Notes to Financial Statements (continued)

(In Thousands of Dollars)

14. Reclassification of Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or by the passage of time for the year ended June 30, 2009 as follows:

	The Branch Libraries	The Research Libraries and Library-wide Programs	Total
Program activities:			
The Branch Libraries Programs	\$ 2,797	\$ –	\$ 2,797
The Research Libraries and Library-wide Programs:			
The Humanities and Social Sciences Library	–	3,327	3,327
Library for the Performing Arts	–	1,580	1,580
Science, Industry and Business Library	–	181	181
Schomburg Center for Research in Black Culture	–	385	385
Conservation and cataloging	–	834	834
Exhibitions and public education programs	–	443	443
Other – principally for the general operations of The Research Libraries and Library-wide Programs	–	2,099	2,099
Depreciation of long-lived assets	2,490	3,509	5,999
	<u>5,287</u>	<u>12,358</u>	<u>17,645</u>
Release of time restrictions	–	22,000	22,000
Total	<u>\$ 5,287</u>	<u>\$ 34,358</u>	<u>\$ 39,645</u>

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Notes to Financial Statements (continued)

(In Thousands of Dollars)

15. Functionalization of Expenses (with Summarized Financial Information for the Year Ended June 30, 2008)

	Program Services			Supporting Services						Total All Funds		
	Library Services			Fundraising and Membership Development			Management and General					
	The Research Libraries and Library-wide Programs	Total Program Services		The Research Libraries and Library-wide Programs	Total Fundraising and Membership Development		The Research Libraries and Library-wide Programs	Total Management and General	Total Supporting Services	2009	2008	
	The Branch Libraries			The Branch Libraries			The Branch Libraries					
Salaries	\$ 71,364	\$ 42,268	\$ 113,632	\$344	\$2,957	\$3,301	\$ 5,287	\$ 7,037	\$ 12,324	\$15,625	\$129,257	\$118,460
Fringe benefits	29,471	18,199	47,670	144	1,070	1,214	2,102	2,736	4,838	6,052	53,722	49,537
Books and library materials	16,466	–	16,466	–	–	–	–	–	–	–	16,466	14,422
Binding and conservation expenditures	254	1,004	1,258	–	–	–	–	–	–	–	1,258	1,673
Office-related expenditures	958	356	1,314	67	332	399	62	121	183	582	1,896	2,771
Equipment rental and maintenance	3,208	1,913	5,121	–	24	24	213	267	480	504	5,625	7,216
Telecommunications	1,087	503	1,590	–	6	6	54	62	116	122	1,712	1,556
Building renovations and related expenditures	16,070	21,813	37,883	–	–	–	259	353	612	612	38,495	23,752
Contributed services	27,703	37,115	64,818	–	–	–	–	–	–	–	64,818	62,243
Professional services	3,887	6,079	9,966	122	1,127	1,249	1,610	1,985	3,595	4,844	14,810	14,500
Promotional and special event expenses	298	458	756	43	1,258	1,301	35	197	232	1,533	2,289	3,228
Interest and accretion expense	788	3,825	4,613	–	–	–	66	323	389	389	5,002	4,612
Insurance expense	–	155	155	–	–	–	1,132	809	1,941	1,941	2,096	2,178
Other expenses	343	1,556	1,899	1	20	21	78	419	497	518	2,417	2,539
Total functional expenses before depreciation and amortization	171,897	135,244	307,141	721	6,794	7,515	10,898	14,309	25,207	32,722	339,863	308,687
Depreciation and amortization	2,667	8,120	10,787	–	–	–	–	–	–	–	10,787	10,460
Total expenses reported by function in the statement of activities	\$ 174,564	\$ 143,364	\$ 317,928	\$721	\$6,794	\$7,515	\$ 10,898	\$ 14,309	\$ 25,207	\$32,722	\$350,650	\$319,147

The New York Public Library,
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Notes to Financial Statements (continued)

(In Thousands of Dollars)

16. Commitments and Contingencies

Litigation and Claims

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

Insurance

The Library carries insurance for fire and extended coverage on Library property and comprehensive general liability insurance in amounts that it considers to be adequate. The Library generally carries insurance of \$10,000 for objects of art (including borrowed works of art), and items of rarity or historic merit. In addition, the Library has a paid-loss program for its workers' compensation insurance program whereby it pays up to \$250 per loss per year, not to exceed an annual aggregate limit of \$1,500. A provision has been made in the accompanying financial statements for unpaid workers' compensation claims up to \$250 per loss per year.

Collective Bargaining Agreements

At June 30, 2009, approximately 66% of the Library's employees are unionized and are employed under collective bargaining agreements that will expire on March 2, 2010.

Line of Credit

The Library has available an unsecured line of credit from a bank, in the amount of \$15,000 of which \$700 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 cancelled by either party and carries an interest rate to be negotiated between the bank and the Library at the time of an advance. There were no amounts outstanding on the line at June 30, 2009 and 2008.

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Notes to Financial Statements (continued)

(In Thousands of Dollars)

16. Commitments and Contingencies (continued)

Leases

The Library's future minimum lease payments under noncancellable operating leases, in total and for each of the next five years, are as follows at June 30, 2009:

2010	\$ 5,666
2011	5,890
2012	6,007
2013	5,834
2014	5,277
Thereafter	<u>82,167</u>
Total	<u>\$ 110,841</u>

Various leases provide for increases in annual base rentals based on various expenses and other increases. Rent expense for fiscal years 2009 and 2008, excluding the value of rent for contributed space, was approximately \$6,964 and \$5,803, respectively.

Construction-Related Purchase Commitments

The Library has entered into construction-related purchase commitments of approximately \$40,246 and \$42,440 at June 30, 2009 and 2008, respectively.

17. Sale of Building

On November 5, 2007, the Library entered into an agreement to sell one of its buildings, which was fully depreciated at June 30, 2009 and 2008. 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. 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.