Carnegie Library of Pittsburgh

Consolidated Financial Statements

Years Ended December 31, 2015 and 2014
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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CARNEGIE LIBRARY OF PITTSBURGH

YEARS ENDED DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

Board of Trustees
Carnegie Library of Pittsburgh

We have audited the accompanying consolidated financial statements of the Carnegie Library of Pittsburgh (Library) and its affiliate, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Library and its affiliate as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Maher Duessel

Pittsburgh, Pennsylvania
May 16, 2016

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CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents - operating	$ 7,000,273	$ 7,581,205
Cash and cash equivalents - capital	4,819,687	6,861,899
Cash and cash equivalents - endowment	39,610	12,090
Other receivables	2,371,288	1,067,741
Pledge receivables, current	1,054,632	288,908
Prepaid expenses	1,056,600	1,148,322
Other current assets	281,225	262,265
Total current assets	16,623,315	17,222,430
Non-current assets:		
Bellefield Boiler Plant reserve	14,174	14,174
Pledge receivables, non-current, net of discount	1,412,405	532,124
Other non-current assets	70,001	69,684
Total non-current assets	1,496,580	615,982
Long-term investments:		
Investments - operating reserve	5,131,835	5,040,834
Investments - capital	1,322,080	1,337,547
Investments - endowment	13,495,583	13,884,204
Investments - stock	9,460,880	8,862,609
Value of share in split interest agreements	1,282,352	1,316,291
Total long-term investments	30,692,730	30,441,485
Other assets		
Bond issuance costs, net of accumulated amortization	170,935	185,280
Buildings, equipment, and land, net	48,788,592	46,244,143
Total other assets	48,959,527	46,429,423
Total Assets	$ 97,772,152	$ 94,709,320
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,698,209	$ 2,721,608
Accrued salaries, wages, and related payroll taxes	484,280	476,369
Mortgage note payable, current	80,442	78,441
Deferred revenue	-	470,767
Funds held for others	324,882	331,546
Bonds payable, current	620,000	605,000
Total current liabilities	4,207,813	4,683,731
Long-term liabilities:		
Mortgage note payable, non-current	167,011	247,345
Bond payable, non-current	8,665,000	9,285,000
Total long-term liabilities	8,832,011	9,532,345
Total Liabilities	13,039,824	14,216,076
Net Assets:		
Unrestricted	57,380,293	52,285,561
Temporarily restricted	13,884,420	14,575,813
Permanently restricted	13,467,615	13,631,870
Total Net Assets	84,732,328	80,493,244
Total Liabilities and Net Assets	$ 97,772,152	$ 94,709,320

See accompanying notes to consolidated financial statements.

CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Public Support, Revenues, and Gains				
Allegheny County Regional Asset District	$ 20,034,845	$ -	$ -	$ 20,034,845
Allegheny County	-	-	-	-
City of Pittsburgh	67,707	-	-	67,707
Library Tax	4,278,880	-	-	4,278,880
Commonwealth of Pennsylvania	5,878,375	-	-	5,878,375
Other government sources	156,545	16,020	-	172,565
Fundraising - private	1,322,883	3,627,638	275,119	5,225,640
Fines, lost books, and other earned income	751,127	-	-	751,127
Investment return designated for current operations	185,272	283,511	-	468,783
	32,675,634	3,927,169	275,119	36,877,922
Net assets released from restrictions	1,776,194	(1,776,194)	-	-
Total operating public support, revenues, and gains	34,451,828	2,150,975	275,119	36,877,922
Operating Expenses:				
Program Services:				
Main Library, branches, and technical services	24,737,952	-	-	24,737,952
Library for the Blind and Physically Handicapped	1,404,198	-	-	1,404,198
Support services - administrative	4,252,005	-	-	4,252,005
Depreciation	2,560,073	-	-	2,560,073
Total operating expenses (see Note 14)	32,954,228	-	-	32,954,228
Excess (deficiency) of operating public support, revenues, and gains over operating expenses	1,497,600	2,150,975	275,119	3,923,694
Nonoperating Support, Revenues, and Gains:				
Change in fair value of split interest agreements	-	(2,666)	(93,874)	(96,540)
Investment return in excess of amount designated for current operations	497,962	259,468	(345,500)	411,930
Net assets released from restrictions for capital expenses	3,099,170	(3,099,170)	-	-
Total nonoperating support, revenues, and gains	3,597,132	(2,842,368)	(439,374)	315,390
Change in Net Assets	5,094,732	(691,393)	(164,255)	4,239,084
Net Assets:				
Beginning of year	52,285,561	14,575,813	13,631,870	80,493,244
End of year	$ 57,380,293	$ 13,884,420	$ 13,467,615	$ 84,732,328

See accompanying notes to consolidated financial statements.

CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Public Support, Revenues, and Gains				
Allegheny County Regional Asset District	$ 19,521,800	$ -	$ -	$ 19,521,800
Allegheny County	48,500	10,000	-	58,500
City of Pittsburgh	74,479	-	-	74,479
Library Tax	4,258,154	-	-	4,258,154
Commonwealth of Pennsylvania	5,516,297	-	-	5,516,297
Other government sources	268,228	4,600	-	272,828
Fundraising - private	914,987	1,299,086	332,690	2,546,763
Fines, lost books, and other earned income	733,505	-	-	733,505
Investment return designated for current operations	116,190	251,369	-	367,559
	31,452,140	1,565,055	332,690	33,349,885
Net assets released from restrictions	1,697,595	(1,697,595)	-	-
Total operating public support, revenues, and gains	33,149,735	(132,540)	332,690	33,349,885
Operating Expenses:				
Program Services:				
Main Library, branches, and technical services	25,294,453	-	-	25,294,453
Library for the Blind and Physically Handicapped	1,447,829	-	-	1,447,829
Support services - administrative	4,179,512	-	-	4,179,512
Depreciation	2,576,016	-	-	2,576,016
Total operating expenses (see Note 14)	33,497,810	-	-	33,497,810
Excess of operating public support, revenues, and gains over operating expenses	(348,075)	(132,540)	332,690	(147,925)
Nonoperating Support, Revenues, and Gains:				
Change in fair value of split interest agreements	-	-	23,785	23,785
Investment return in excess of amount designated for current operations	416,718	287,664	655,671	1,360,053
Net assets released from restrictions for capital expenses	1,914,260	(1,914,260)	-	-
Total nonoperating support, revenues, and gains	2,330,978	(1,626,596)	679,456	1,383,838
Change in Net Assets	1,982,903	(1,759,136)	1,012,146	1,235,913
Net Assets:				
Beginning of year	50,302,658	16,334,949	12,619,724	79,257,331
End of year	$ 52,285,561	$ 14,575,813	$ 13,631,870	$ 80,493,244

See accompanying notes to consolidated financial statements.

CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ 4,239,084	$ 1,235,913
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	2,574,417	2,590,360
Realized (gain) loss on investments	(303)	(65,218)
Unrealized (gain) loss on investments	(20,933)	(1,090,629)
Donation of split interest agreement	(62,601)	-
Contributions restricted for long-term purposes	(1,031,069)	(1,082,538)
Changes in assets and liabilities:		
Receivables	(2,949,552)	1,180,997
Prepaid expenses and other	91,722	257,650
Other current assets	(18,960)	13,171
Accounts payable and accrued expenses	(23,399)	844,854
Accrued salaries and related payroll taxes	7,911	64,855
Deferred revenue	(470,767)	-
Funds held for others	(6,664)	(23,505)
Net cash provided by operating activities	2,328,886	3,925,910
Cash Flows From Investing Activities:		
Purchase of fixed assets	(5,104,521)	(3,305,384)
Proceeds from sale of investments	368,394	15,004,700
Purchase of investments	(632,342)	(20,114,489)
Change in other assets	(317)	(966)
(Increase) decrease in perpetual trusts	96,540	(23,785)
Net cash used in investing activities	(5,272,246)	(8,439,924)
Cash Flows From Financing Activities:		
Payment on bonds	(605,000)	(585,000)
Payment on mortgage note	(78,333)	(76,344)
Receipts of contributions restricted for long-term purposes	1,031,069	1,082,538
Net cash provided by (used in) financing activities	347,736	421,194
Net Increase (Decrease) in Cash and Cash Equivalents	(2,595,624)	(4,092,820)
Cash and Cash Equivalents:		
Beginning of year	14,455,194	18,548,014
End of year	$ 11,859,570	$ 14,455,194
Supplemental Data:		
Interest paid	$ 400,635	$ 420,375
Schedule of Noncash Investing and Financing Activities:		
Donation of split interest agreement	$ 62,601	$ -

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

The Carnegie Library of Pittsburgh (Library) is a public trust established in 1895 for the benefit of the citizens of Western Pennsylvania. As a free public library, the Library provides collections, programs, and services through a network that has twenty (20) locations, including the Main Library and the Library for the Blind and Physically Handicapped (LBPH), all of which are public service outlets, and the Library Support Center in the West End, which is not a public service outlet.

The Library is an organization described under Section 501(c)(3) of the Internal Revenue Code (IRC) and is, therefore, exempt from taxation under Section 501(a) of the IRC. Additionally, the Library is classified as an organization which is not a private foundation according to the Internal Revenue Code. As a not-for-profit public trust, the Library is required to file federal information returns annually with the Internal Revenue Service.

A significant portion of the Library's funds are received from governmental agencies that annually appropriate funds designated for the Library.

The Library has a support agreement with Allegheny Regional Asset District (District) for the purposes of supporting and financing the activities of the Library, providing for oversight and coordination of the Library, and assuring the efficient operation and development of the Library. Provided the Library complies with the requirements of the agreement, the District covenants to provide funds of at least $11,882,000 to the Library annually through the year 2019. In 2002, this agreement was amended in connection with the issuance of bonds. Under this amendment, the District has committed to allocate $1,000,000 of the annual grant to the Library for payment of debt service on the bonds through 2028. This agreement was reaffirmed in 2010 with the issuance of the new bonds. The District may also provide support to the Library for special projects.

The Library also has support agreements with the Commonwealth of Pennsylvania for annual library operations and for capital renovation and construction reimbursement. Other Commonwealth revenue sources include table games revenue as authorized by Senate Bill 711 of 2009.

During 2011, the Library initiated the "Our Library, Our Future" campaign to gather support for a referendum to approve an additional 0.25 mill property tax levy on the residents of the City of Pittsburgh. The initiative passed on November 8, 2011. The levy was effective January 1, 2012; and the proceeds are used exclusively for the operation and maintenance of the Library. Tax revenue recognized for 2015 and 2014 amounted to approximately $4.3 million in each year.

On January 1, 2015, Carnegie Library of Pittsburgh launched *Realize: Our Power, Our Potential,* a major gifts initiative intended to strengthen the Library through strategic investments in early education, out-of-school learning, neighborhood vitality, and workforce and economic development. *Realize* also emphasizes planned giving and endowment gifts that will help the Library chart a course for future sustainability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently followed by management in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized as they are earned and expenses are recorded when liabilities are incurred.

Reporting Entity

The financial statements include the accounts of the Library and the Jack G. Buncher Charitable Fund for the Carnegie Library of Pittsburgh (Fund). The Fund is a supporting organization of the Library and had total assets of $10,441,204 and $9,774,611, and total revenue of $1,466,592 and $1,055,160 as of December 31, 2015 and 2014, respectively. All interrelated transactions and accounts are eliminated.

Basis of Presentation

The Library reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are composed of expendable resources used to support the Library's core activities and all other resources not included in the below categories. Donor-restricted contributions that are received on a reimbursement basis and, therefore, by their nature must have their restrictions met in the same reporting period, are classified as unrestricted support. Donor-restricted resources intended for capital projects are released and reclassified as unrestricted support when the related assets are capitalized. All expenses are recorded as a reduction to unrestricted net assets. Certain unrestricted net assets have been designated for funding of future capital maintenance and Library programs. A substantial portion of the

unrestricted net assets are not readily available for general organization purposes. Included in the unrestricted net asset figure is the net asset that represents buildings and equipment, net of related debt.

Temporarily restricted net assets carry restrictions that expire upon the passage of a prescribed period of time or upon the occurrence of a stated event as specified by the donor. Included in this category are gifts held by the Library pending their use in accordance with donor stipulations, unexpended donor gifts for capital projects, pledges, certain split interest agreements, and term endowments.

Permanently restricted net assets are to be held in perpetuity by the Library, including certain gifts of endowment and split interest agreements. Investment earnings on the related assets are classified based on donor restrictions or Pennsylvania Law.

Use of Estimates

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

Investments and Investment Return

Investments are carried at fair value as outlined in Note 6. Gains and losses from the sale of investments are determined by the average cost method.

For its endowment, the Library follows a spending policy as outlined in Note 7. The Library also complies with PA State Act 141 of 1998, which requires a minimum endowment draw of 2% and a maximum draw of 7%.

Investment and custodian fees amounted to approximately $45,876 and $101,686 for the years ended December 31, 2015 and 2014, respectively. Investment returns not designated for operations are included in the statements of activities as non-operating gains (losses).

Split Interest Agreements

The Library is the beneficiary of the income from certain irrevocable trust funds held by bank trustees. The fair market value of the Library's share of the trusts is included in the statements of financial position as an asset and as a temporarily restricted or permanently

restricted net asset based upon the nature of the trust. The income from the trusts is recorded upon receipt as either temporarily restricted or unrestricted based on the designation by the donor. Income from such trust funds approximated $60,595 and $53,190 as of December 31, 2015 and 2014, respectively.

Cash and Cash Equivalents

The Library classifies all investments with maturities of three months or less, when purchased, to be cash equivalents other than any such investments included in the long-term investment or held for transfer to long-term investments. The Library maintains, at a financial institution, cash and cash equivalents that may exceed federally insured amounts at times.

Pledges Receivable

Pledges receivable are recorded as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give. Pledges receivable are recorded at the present value of expected net proceeds ultimately payable to the Library. Pledges receivable are adjusted annually and are reflected in the statements of activities as gifts and grants.

Inventories

Inventories, primarily supplies, are stated at cost using the first-in, first-out method (FIFO) that is not in excess of net realizable value.

Buildings, Equipment, and Software

Buildings, equipment, and software are stated at cost when purchased or at fair value when donated. Major improvements and betterments greater than $2,500 are capitalized. During 2014, the Library changed its fixed asset capitalization policy. The Library previously capitalized invoices of $5,000 or greater. The revised policy applies a lower threshold of $2,500 per individual item. The policy revision was made to allow for more meaningful record-keeping and for more accurate schedules. The change in policy was not deemed material enough to require restatement of the prior year reported totals. Items under the $2,500 capitalization threshold as well as costs of maintenance and repairs that do not extend the estimated useful lives of the applicable assets are charged to expense as incurred. When Buildings, Equipment, and Software are retired, or otherwise disposed of, the asset and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations.

Depreciation of property and equipment is calculated over the estimated useful lives of the assets of three to thirty-five years and is computed on the straight-line method.

Collections

Circulating Collections – The circulating collections (materials including books, periodicals, audio visual, etc.) are not recognized as assets in the statements of financial position. Purchases of collection items are expensed and recorded as a decrease in unrestricted net assets in the year in which the items are acquired (of which approximately $4.3 and $4.4 million was acquired in 2015 and 2014, respectively).

Special Collections – The Library's special collections, which were acquired through purchases and contributions since the Library's inception, consist of approximately 662,000 books and archival holdings (primarily its own institutional archives) that are held for educational, research, and special curatorial purposes. Purchases of collection items are expensed and recorded as a decrease in unrestricted net assets in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements.

All collection items are subject to appropriate stewardship measures (catalogued, preserved and cared for as appropriate, finding aids created, and activities verifying their existence and assessing their condition continuously performed). It is understood that all proceeds from the sales of collection items would be used to acquire other collection items or the care of the collections. Proceeds from the sale of collections or insurance recoveries (of which there were none in 2015 and 2014) are reflected as revenue resulting in an increase in unrestricted net assets.

Deferred Revenue

Deferred revenue represents unearned receipts from exchange transactions with the Commonwealth of Pennsylvania (of which there were none in 2015).

Funds Held for Others

Funds held for others represent restricted receipts of a consortium of which the Library is the agent.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Library pays for all significant services requiring specific expertise. However, many individuals

volunteer their time and perform a variety of tasks that assist the Library with various programs.

Operating Activities

For purposes of the statement of activities, the Library distinguishes between operating revenue, support and expenses and nonoperating support, revenue and gains. The Library treats as operating revenue and support and operating expenses all revenues and expenses that are an integral part of its programs and supporting activities, including investment return designated for current operations. All other activity is nonoperating support, revenues, and gains.

Financial Instruments

The following methods and assumptions were used by the Library in estimating its fair value disclosures for financial instruments:

- Cash, cash equivalents, short-term unconditional promises to give, and notes payable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

- Short-term and endowment investments: The fair values of investments are based on quoted market prices for those or similar investments or other unobservable inputs. See Note 6 for further disclosure.

- Long-term unconditional promises to give: The fair value of promises to give that are due in more than one year is estimated by discounting expected future cash flows using a rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection period. See Note 3 for further disclosure.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. PLEDGES RECEIVABLE

Pledges are recorded in the accompanying financial statements at net present value using discount factors ranging from 1.06% to 2.18% and are expected to be received as follows:

Years ending December 31	Amount
2016	$ 1,054,632
2017	615,188
2018	383,169
2019	259,000
2020	193,500
Thereafter	24,000
	2,529,489
Less - amount representing discount	(62,452)
	$ 2,467,037

The Library's estimate that an allowance for uncollectible pledges is not necessary is based on historical collection experience and a review of the current status of the pledges. Decisions to charge off uncollectible pledges are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Library's estimate of an allowance for uncollectible pledges will change.

Fair values of assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows: Level 1 Pledges receivable – current $1,054,632 and $288,908, respectively, and Level 3 Pledges receivable – noncurrent $1,412,405 and $532,124, respectively.

Fair values for Level 1 financial instruments are determined by quoted prices in active markets for identical financial instruments. Pledges due within one year are considered to be Level 1 because of the short maturity of these instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Library's own assumptions in determining the fair value of financial instruments.

Since the Library's noncurrent pledges receivable have no significant observable inputs, they are classified as Level 3.

The input used by the Library to measure the value of noncurrent pledges receivable is the original pledge commitment discounted at two to nine years at the applicable U.S. Treasury Yield Curve rate.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include pledges expected to be received in more than one year:

	2015	2014
Balance as of January 1	$ 532,124	$ 785,490
Additions of long-term pledges	1,966,397	44,737
Increases (decreases) due to change in scheduled payments	(31,483)	(9,012)
Pledges receivable, which became due within one year	(1,054,633)	(288,908)
Pledges written off as uncollectible	-	(183)
Balance as of December 31	$ 1,412,405	$ 532,124

The fair value of Level 3 noncurrent pledges receivable is calculated based upon discount factors. The valuation techniques used to measure the fair value of noncurrent pledges receivable, the significant observable inputs – discounts applied, and the values for those inputs for 2015 and 2014: 1.06%-2.18% and 0.67%-1.10%, respectively. The sensitivity of the changes to unobservable inputs for the noncurrent pledges receivable is based upon future collectability.

At the beginning of 2015, the Library did not have any contingent pledges. Contingent pledges are recognized in the financial statements only when the contingency is met. New contingent pledges of $175,000 were made to the Library in 2015; all of which were outstanding at December 31, 2015. No payments were received in 2015. In 2016, all $175,000 of contingent pledges are expected to be fulfilled.

At the beginning of 2014, the Library did not have any contingent pledges and did not receive any new contingent pledges during 2014.

4. LAND, BUILDINGS, AND EQUIPMENT

Buildings and equipment at December 31, 2015 and 2014 consist of the following:

	2015	2014
Capital assets:		
Not being depreciated:		
Land	$ 854,798	854,798
Construction in progress	1,479,403	2,485,345
Total not being depreciated	2,334,201	3,340,143
Being depreciated:		
Building and building improvements	63,724,225	57,923,776
Equipment	6,244,478	5,985,621
Vehicles	304,543	331,408
Total being depreciated	70,273,246	64,240,805
Less accumulated depreciation	(23,818,855)	(21,336,805)
Net being depreciated	46,454,391	42,904,000
Total capital assets, net of depreciation	$ 48,788,592	$ 46,244,143

Beginning in 2002 and continuing beyond December 31, 2015, the Library is undergoing a series of renovations of certain buildings as part of its Libraries for Life capital campaign. The Library also is undergoing a series of capital improvements to the renovated locations. As of December 31, 2015 and 2014, approximately $1,664,000 and $2,569,000, respectively, remains committed under contracts related to these activities. No net interest costs were determined to be capitalized for 2015 or 2014.

As of December 31, 2015 and 2014, the Library held lease agreements with the City of Pittsburgh (City) for seven locations. The lease agreements are for a term of twenty-nine (29) years, with an annual rent of $1 per location. Under the lease agreements, the Library can purchase any of the properties for $100. If the Library purchases any of the leased properties, it either can use the property for Library purposes or has the right, subject to Pittsburgh City Council's approval, to sell the property. Any proceeds from the sale of a property can only be used to support library facilities.

The Library can also terminate any of the remaining seven capital leases by giving notice. This notice of termination must be in writing to the City and must be given on or before June 1 of the year prior to the year in which such termination is to occur.

The leases have been recorded as capital leases as of December 31, 2015 and 2014, with the fair market value of $1,970,000 recorded as buildings, offset by an original temporarily restricted contribution. The restricted net assets are released from restriction in amounts equal to depreciation expense recorded for use of the buildings.

5. INVESTMENTS

Investments consist of two multi-strategy funds, an operating reserve fund, and private company stock at December 31, 2015 and 2014.

The total returns on investments and cash equivalents for the year ended December 31, 2015 are summarized as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest on cash and cash equivalents	$ 37,738	$ 321	$ -	$ 38,060
Interest and dividend income	242,957	578,461	-	821,418
Net realized gain	303	-	-	303
Unrealized gain (loss)	402,237	(35,804)	(345,500)	20,933
Return on investments	683,235	542,978	(345,500)	880,713
Investment return designated for current operations	(185,272)	(283,511)	-	(468,783)
Investment gain (loss) recognized	$ 497,962	$ 259,468	$ (345,500)	$ 411,930

The total returns on investments and cash equivalents for the year ended December 31, 2014 are summarized as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest on cash and cash equivalents	$ 18,158	$ 377	$ -	$ 18,535
Interest and dividend income	127,977	425,253	-	553,230
Net realized gain	12,844	526	51,848	65,218
Unrealized gain (loss)	373,929	112,877	603,823	1,090,629
Return on investments	532,908	539,033	655,671	1,727,612
Investment return designated for current operations	(116,190)	(251,369)	-	(367,559)
Investment gain (loss) recognized	$ 416,718	$ 287,664	$ 655,671	$ 1,360,053

The Library's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, due to the level of risk associated with these instruments, it is reasonably possible that changes in the values of these instruments will occur in the near-term, and that such changes could materially affect the amounts reported in the financial statements.

6. FAIR VALUE MEASUREMENT

The Library determines fair value of investments and other assets using a three-tier hierarchy of valuation inputs, breaking them down into Level 1, Level 2, and Level 3. These assets include two multi-strategy funds, an operating reserve account, private company stock, and split interest agreements at December 31, 2015 and 2014. The total fair market value of the assets as of December 31, 2015 and 2014, respectively, is $30,692,730 and $30,441,485.

Fair values of assets measured on a recurring basis as of December 31, 2015 and 2014 are as follows:

		Fair Value Measurements at Reporting Date Using		
Description	12/31/15	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-Strategy Fund - Endowment	$ 13,495,583	$ -	$ 13,495,583	$ -
Multi-Strategy Fund - Capital	1,322,080	-	1,322,080	-
Operating Reserve	5,131,835	5,131,835	-	-
Private Company Stock	9,460,880	-	-	9,460,880
Split Interest Agreements	1,282,352	-	-	1,282,352
Totals	$ 30,692,730	$ 5,131,835	$ 14,817,663	$ 10,743,232

		Fair Value Measurements at Reporting Date Using		
Description	12/31/14	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-Strategy Fund - Endowment	$ 13,884,204	$ -	$ 13,884,204	$ -
Multi-Strategy Fund - Capital	1,337,547	-	1,337,547	-
Operating Reserve	5,040,834	5,040,834	-	-
Private Company Stock	8,862,609	-	-	8,862,609
Split Interest Agreements	1,316,291	-	-	1,316,291
Totals	$ 30,441,485	$ 5,040,834	$ 15,221,751	$ 10,178,900

Fair values for Level 1 financial instruments are determined by quoted prices in the active market for identical financial instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Library's own assumptions in determining the fair value of financial instruments.

The Multi-Strategy Funds (Commonfund's Multi-Strategy Equity Fund and Multi-Strategy Bond Fund, or MSFs) are reported at market value as of December 31, 2015 and 2014. The net asset value is calculated as assets of the fund less the fund's liabilities. The share reported by the Library is proportionate to the Library's relative capital contribution. Shares are redeemable on a monthly basis. Currently, the Library has no intentions to liquidate the investments in the MSFs held at December 31, 2015.

The Library's endowment is invested in the MSFs. Together the funds seek to achieve a total return (price appreciation plus dividends and interest income) that exceeds inflation plus 5% per annum through a globally diversified portfolio. Such diversification is designed to provide some downside protection and to potentially enhance long-term total return. The asset mix is designed not to outperform the best-performing asset class in any given year but rather to produce satisfactory real returns over time periods appropriate to perpetual life charities. Tactical rebalancing may periodically occur to take advantage of perceived market opportunities and / or to return the portfolio towards policy weights. The Multi-Strategy Equity Fund is primarily benchmarked against the S&P 500, with a secondary composite benchmark comprised of (75% S&P 500, 15% MSCI All-Country World Index ((ACWI)), and 10% HFRI Fund of Funds Composite Index). The Multi-Strategy Bond Fund is benchmarked against the Barclay's Capital US Aggregate Bond Index.

The following summarizes the changes in fair values associated with Level 3 investments which include the private company stock and split interest agreements:

	2015	2014
Balance as of January 1	$ 10,178,900	$ 9,880,332
Contributions	62,601	-
Change in fair value - stock	598,271	274,783
Change in fair value - split interest agreements	(96,540)	23,785
Balance as of December 31	$ 10,743,232	$ 10,178,900

The fair value of Level 3 investments is calculated based upon valuation reports and the Library's percentages held by third party investment managers. Fair value of the private company stock is determined using a third party valuation report that uses an income approach and capitalization of benefits method to value the total operating equity of the company and then adjusting the total operating equity value for the market value of the various investments and non-income producing assets. There is no ready market for the private company stock so it is not a liquid investment; the Library intends to hold the stock long-term. Fair value of the split interest agreements is determined using the Library's share percentage of the market value of the trust.

The following table represents Level 3 investments, the valuation techniques used to measure the fair value of those investments, the significant observable inputs, and the values for those inputs as of December 31, 2015 and 2014.

Description	Fair Value as of 12/31/15	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Private Company Stock	$ 9,460,880	Income Approach and Capitalization of Benefits Approach	Discounts Applied, Control Adjustments, Capitalization Rate	Value per Share
Split Interest Agreement	59,935	Market Value of Underlying Investments	Yield Rates, Cash Flow	Trust Value
Split Interest Agreement	126,852	Market Value of Underlying Investments	Percentage Share	25%
Split Interest Agreement	1,095,565	Market Value of Underlying Investments	Percentage Share	20%
	$ 10,743,232			

Description	Fair Value as of 12/31/14	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Private Company Stock	$ 8,862,609	Income Approach and Capitalization of Benefits Approach	Discounts Applied, Control Adjustments, Capitalization Rate	Value per Share
Split Interest Agreement	136,715	Market Value of Underlying Investments	Percentage Share	25%
Split Interest Agreement	1,179,576	Market Value of Underlying Investments	Percentage Share	20%
	$ 10,178,900			

The sensitivity of the changes to unobservable inputs for the private company stock is based upon the entire performance of the company, and for the split interest agreement, it is based upon the market performance of the underlying investments.

7. ENDOWMENT DISCLOSURES

The Library's endowment was established for a variety of purposes, including for the purchase of library materials or unrestricted operating purposes. The endowment includes both donor-restricted endowment funds and unrestricted funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Library has interpreted Pennsylvania State Act 141 of 1998 (Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, 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 and investment income in excess of amounts designated for current operations and losses up to the extent of accumulated gains. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act.

Endowment net asset composition by type of fund as of December 31, 2015:

Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,489,366	$ (68,874)	$ 12,075,091	$ 13,495,583

Endowment net asset composition by type of fund as of December 31, 2014:

Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,566,590	$ 36,558	$ 12,281,056	$ 13,884,204

Changes in endowment net assets for the fiscal year ended December 31, 2015:

	Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 1,566,590	$ 36,558	$ 12,281,056	$ 13,884,204
Investment return:				
Investment income	69,024	203,961	-	272,985
Net gain (loss), realized and unrealized	(42,716)	1,570	(345,500)	(386,646)
Total investment return	26,308	205,531	(345,500)	(113,661)
Contributions	-	-	139,535	139,535
Other changes:				
Withdrawals	(93,439)	(310,963)	-	(404,402)
Miscellaneous income (expense)	(10,093)	-	-	(10,093)
Endowment Net Assets, End of Year	$ 1,489,366	$ (68,874)	$ 12,075,091	$ 13,495,583

Given the de minimus deficit balance of temporarily restricted net assets related to endowment, the Library has chosen not to release offsetting unrestricted net assets to make up for that deficit as it believes this deficit is immaterial and may be offset in future years by market activity.

Changes in endowment net assets for the fiscal year ended December 31, 2014:

	Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	$ 1,567,879	$ 114,873	$ 11,327,218	$ 13,009,970
Investment return:				
Investment income	49,945	145,253	-	195,198
Net gain (loss), realized and unrealized	106,797	41,857	655,671	804,325
Total investment return	156,742	187,110	655,671	999,523
Contributions	-	-	298,167	298,167
Other changes:				
Withdrawals	(86,160)	(265,425)	-	(351,585)
Miscellaneous income (expense)	(71,871)	-	-	(71,871)
Endowment Net Assets, End of Year	$ 1,566,590	$ 36,558	$ 12,281,056	$ 13,884,204

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Library has adopted policies and guidelines for endowment and restricted funds.

To satisfy its long-term rate-of-return objectives, the Library relies on returns in excess of the rate of inflation. The Library targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Library has a policy of appropriating, for distribution each year, between 2% and 5% of the average market value of the endowment fund balance at the end of the 12 calendar quarters that precede the calendar year being budgeted. The presumption is that, over the course of multiple years, the average investment returns will equal or exceed 5% per annum and that the endowment will meet the objective of providing ongoing financial support to the Library.

8. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 of $13,884,420 and $14,575,813, respectively, are available for use by the Main Library and branches for capital improvements and a variety of other donor-imposed purposes and time periods.

Permanently restricted net assets at December 31, 2015 and 2014 are held in perpetuity. The following composition of the net asset class indicates how the income is to be expended:

	2015	2014
Collection development	$ 10,335,630	$ 10,496,056
Any library purpose	3,131,985	3,135,814
	$ 13,467,615	$ 13,631,870

9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of $4,875,364 and $3,611,855 were released from donor restrictions for the years ended December 31, 2015 and 2014, respectively, by incurring expenses that satisfy the restricted purposes or by occurrence of events specified by the donors.

10. RETIREMENT PLAN

The Library sponsors two defined contribution retirement plans, which are offered through a third-party financial services organization. The first plan is a 403(b) tax sheltered annuity plan covering all eligible employees. The 403(b) plan is open to all employees and offers an employer contribution to eligible employees. Eligible employees include those who have attained age 21, have completed 12 consecutive months of service and have worked at least 1,000 hours during the plan year. As of January 2010, the employer matching contribution is 120% of employee contributions up to 5% of the employee's compensation. Employer contributions of approximately $654,000 and $631,000 were made to the plan for the years ended December 31, 2015 and 2014, respectively.

The second plan is a 457(b) deferred compensation plan. This plan is not utilized by current staff and has only two prior staff as remaining participants. There were no employer contributions to this plan for the years ended December 31, 2015 and 2014.

11. LEASES

The Library leases branch facilities in Downtown and Hazelwood, as well as various equipment. The approximate future lease rental obligations for the Downtown and Hazelwood spaces at December 31 are as follows:

Years Ending December 31	Amount
2016	$ 319,068
2017	321,005
2018	323,019
2019	258,240
	$ 1,221,332

Total lease expense amounted to approximately $334,000 and $323,000 for the years ended December 31, 2015 and 2014, respectively.

12. LINES OF CREDIT

The Library has a $5,000,000 revolving line of credit for working capital purposes that is secured by existing and future accounts and revenues and expires on October 31, 2016. Amounts outstanding under the line of credit bear interest at LIBOR plus 120 basis points. The Library did not draw from the line during 2015 or 2014 and had no outstanding balance on the line at December 31, 2015 and 2014.

13. DEBT

Bonds Payable

On November 26, 2002, the Library issued $14,510,000 in fixed-rate bonds at rates ranging from 2.5% to 5.0% pursuant to a loan agreement with the Allegheny County Industrial Development Authority. The bond proceeds, net of bond issuance costs, were deposited into a project fund to be used for construction and renovation projects at various Library branches, as well as the Main Library.

On August 10, 2010, the Library issued $12,515,000 of Allegheny County Industrial Development Authority Regional Asset District Sales Tax Revenue Bonds, Series of 2010. The amount was sufficient to refund the 2002 Revenue Bonds, pay the expenses of the bond issue, and provide proceeds of approximately $500,000 for an existing capital project. Debt service for the 2010 bonds remains essentially the same as under the 2002 bonds. The fixed-rate bonds are at rates ranging from 0.8% to 4.375%. The fair market value of the debt at December 31, 2015 is $10,001,609 in comparison to the outstanding balance of the bonds of $9,285,000.

Annual bond principal and interest payments of $1,000,000 will be made with operating funds received from the District. The Allegheny Regional Asset District Cooperation and Support Agreement for the Carnegie Library of Pittsburgh between the Library, the District, the City, and the County of Allegheny provides for direct payment of these bond payments to the bond trustee and provides security for the Library's obligations under the loan agreement through 2028.

A summary of future payment requirements on the bonds is as follows:

Years Ending December 31	Interest Rate	Amount
2016	3.000%	$ 620,000
2017	3.500%	640,000
2018	3.500%	665,000
2019	4.000%	685,000
2020	4.000%	715,000
Thereafter	4.375%	5,960,000
		$ 9,285,000

Mortgage Note Payable

On December 3, 2003, the Library borrowed $1,030,000 in tax-exempt mortgage revenue note proceeds at an initial rate of 3.96% pursuant to a secured loan agreement with Dollar Bank through the Wilkins Area Industrial Development Authority. The note is secured by a mortgage on the Library for the Blind and Physically Handicapped facility. The interest rate will be adjusted every five years based on a formula outlined in the agreement. The first interest rate adjustment occurred in December 2008, resulting in a lower adjusted rate of 3.51% for the next five years. The second interest rate adjustment occurred in December 2013, resulting in a lower adjusted rate of 2.54% for the remaining five years of the note payable. The note proceeds, net of issuance costs, were deposited into a project fund and were used for construction and renovation projects at a Library administration location in the West End of Pittsburgh, Pennsylvania, and the Main Library.

Annual note payments of $85,807, including interest, will be paid from operations through December 1, 2018.

A summary of future principal payment requirements on the note is as follows:

Years Ending December 31	Amount
2016	$ 80,442
2017	82,526
2018	84,485
	$ 247,453

14. EXPENSES BY NATURAL CLASSIFICATION AND FUNCTIONAL EXPENSES

Expenses by natural classification at December 31, 2015 and 2014 are as follows:

	2015	2014
Salaries	$ 15,226,272	$ 14,877,531
Library materials	4,295,980	4,439,907
Fringe benefits	4,060,540	4,055,531
Depreciation and amortization	2,574,417	2,590,360
Occupancy	2,059,925	2,369,992
Professional services	1,490,973	1,489,167
Supplies and expenses	973,948	1,609,650
Information technology	963,231	758,595
Interest	400,635	420,375
Advertising and promotion	338,665	299,757
Insurance	187,257	181,977
Office expense	177,570	171,913
Conferences, conventions, and meetings	125,368	142,609
Travel	49,658	49,257
Vehicle expense	29,789	41,189
	$ 32,954,228	$ 33,497,810

The cost of providing the various programs has been summarized on a functional basis in the statements of activities. Certain costs have been allocated between program and supporting services.

	2015	2014
Program services	$ 28,691,208	$ 29,318,298
Management and general	3,470,332	3,336,314
Fundraising	792,688	843,198
	$ 32,954,228	$ 33,497,810

15. RELATED PARTY TRANSACTIONS

The Electronic Information Network (d/b/a eiNetwork) maintains and manages the electronic information computer network that holds the Allegheny County library system's online catalog and reference materials. The eiNetwork manages the network for all public libraries in Allegheny County, including Carnegie Library of Pittsburgh, and hosts and administers

Internet services, the library circulation system, the library staff email system, and other public access computer systems. The eiNetwork also manages the leasing and replacement of personal computers to organizations within the network.

The eiNetwork is a non-profit, member corporation with two members that are both contractual assets of the Allegheny Regional Asset District (RAD). The corporation members are the Allegheny County Library Association (ACLA) and Carnegie Library of Pittsburgh. The Library makes payments to eiNetwork for computers and other equipment which were $295,923 and $336,701 for the years ended December 31, 2015 and 2014, respectively. The eiNetwork also reimbursed the Library for expenses totaling $127,864 and $91,431 for the years ended December 31, 2015 and 2014, respectively.