

Carnegie Library of Pittsburgh

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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CARNEGIE LIBRARY OF PITTSBURGH

YEARS ENDED DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 12, 2015

CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents - operating	\$ 7,581,205	\$ 10,898,928
Cash and cash equivalents - capital	6,861,899	7,649,086
Cash and cash equivalents - endowment	12,090	-
Other receivables	1,067,741	1,503,623
Pledge receivables, current	288,908	780,657
Prepaid expenses	1,148,322	1,405,972
Other current assets	262,265	275,436
Total current assets	17,222,430	22,513,702
Non-current assets:		
Bellefield Boiler Plant reserve	14,174	14,174
Pledge receivables, non-current, net of discount	532,124	785,490
Other non-current assets	69,684	68,718
Total non-current assets	615,982	868,382
Long-term investments:		
Investments - operating reserve	5,040,834	-
Investments - capital	1,337,547	1,261,762
Investments - endowment	13,884,204	13,009,970
Investments - stock	8,862,609	8,587,826
Value of share in split interest agreements	1,316,291	1,292,506
Total long-term investments	30,441,485	24,152,064
Other assets		
Bond issuance costs, net of accumulated amortization	185,280	199,624
Buildings, equipment, and land, net	46,244,143	45,514,775
Total other assets	46,429,423	45,714,399
Total Assets	\$ 94,709,320	\$ 93,248,547
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,721,608	\$ 1,876,754
Accrued salaries, wages, and related payroll taxes	476,369	411,514
Mortgage note payable, current	78,441	76,475
Deferred revenue	802,313	825,818
Bonds payable, current	605,000	585,000
Total current liabilities	4,683,731	3,775,561
Long-term liabilities:		
Mortgage note payable, non-current	247,345	325,655
Bond payable, non-current	9,285,000	9,890,000
Total long-term liabilities	9,532,345	10,215,655
Total Liabilities	14,216,076	13,991,216
Net Assets:		
Unrestricted	52,285,561	50,302,658
Temporarily restricted	14,575,813	16,334,949
Permanently restricted	13,631,870	12,619,724
Total Net Assets	80,493,244	79,257,331
Total Liabilities and Net Assets	\$ 94,709,320	\$ 93,248,547

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
	<u>31,452,140</u>	<u>1,565,055</u>	<u>332,690</u>	<u>33,349,885</u>
Net assets released from restrictions	<u>1,697,595</u>	<u>(1,697,595)</u>	<u>-</u>	<u>-</u>
Total operating public support, revenues, and gains	<u>33,149,735</u>	<u>(132,540)</u>	<u>332,690</u>	<u>33,349,885</u>
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)	<u>33,497,810</u>	<u>-</u>	<u>-</u>	<u>33,497,810</u>
Excess (deficiency) of operating public support, revenues, and gains over operating expenses	<u>(348,075)</u>	<u>(132,540)</u>	<u>332,690</u>	<u>(147,925)</u>
Nonoperating Support, Revenues, and Gains:				
Change in fair value of split interest agreements	-	-	23,785	23,785
Investment gain	416,718	287,664	655,671	1,360,053
Net assets released from restrictions for capital expenses	<u>1,914,260</u>	<u>(1,914,260)</u>	<u>-</u>	<u>-</u>
Total nonoperating support, revenues, and gains	<u>2,330,978</u>	<u>(1,626,596)</u>	<u>679,456</u>	<u>1,383,838</u>
Change in Net Assets	<u>1,982,903</u>	<u>(1,759,136)</u>	<u>1,012,146</u>	<u>1,235,913</u>
Net Assets:				
Beginning of year	<u>50,302,658</u>	<u>16,334,949</u>	<u>12,619,724</u>	<u>79,257,331</u>
End of year	<u>\$ 52,285,561</u>	<u>\$ 14,575,813</u>	<u>\$ 13,631,870</u>	<u>\$ 80,493,244</u>

See accompanying notes to consolidated financial statements.

CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Public Support, Revenues, and Gains				
Allegheny County Regional Asset District	\$19,139,000	\$ -	\$ -	\$ 19,139,000
Allegheny County	-	50,000	-	50,000
City of Pittsburgh	59,667	-	-	59,667
Library Tax	4,039,250	-	-	4,039,250
Commonwealth of Pennsylvania	5,499,714	-	-	5,499,714
Other government sources	200,728	58,777	-	259,505
Fundraising - private	4,500,795	2,063,209	89,169	6,653,173
Fines, lost books, and other earned income	820,233	-	-	820,233
Investment return designated for current operations	206,687	161,524	-	368,211
	<u>34,466,074</u>	<u>2,333,510</u>	<u>89,169</u>	<u>36,888,753</u>
Net assets released from restrictions	1,903,462	(1,903,462)	-	-
Total operating public support, revenues, and gains	<u>36,369,536</u>	<u>430,048</u>	<u>89,169</u>	<u>36,888,753</u>
Operating Expenses:				
Program Services:				
Main Library, branches, and technical services	23,519,299	-	-	23,519,299
Library for the Blind and Physically Handicapped	1,526,528	-	-	1,526,528
Support services - administrative	4,176,717	-	-	4,176,717
Depreciation	2,696,031	-	-	2,696,031
Total operating expenses (see Note 14)	<u>31,918,575</u>	<u>-</u>	<u>-</u>	<u>31,918,575</u>
Excess of operating public support, revenues, and gains over operating expenses	<u>4,450,961</u>	<u>430,048</u>	<u>89,169</u>	<u>4,970,178</u>
Nonoperating Support, Revenues, and Gains:				
Change in fair value of split interest agreements	-	-	129,137	129,137
Investment gain	628,560	119,725	1,280,276	2,028,561
Net assets released from restrictions for capital expenses	1,003,375	(1,003,375)	-	-
Total nonoperating support, revenues, and gains	<u>1,631,935</u>	<u>(883,650)</u>	<u>1,409,413</u>	<u>2,157,698</u>
Change in Net Assets	<u>6,082,896</u>	<u>(453,602)</u>	<u>1,498,582</u>	<u>7,127,876</u>
Net Assets:				
Beginning of year	<u>44,219,762</u>	<u>16,788,551</u>	<u>11,121,142</u>	<u>72,129,455</u>
End of year	<u>\$ 50,302,658</u>	<u>\$ 16,334,949</u>	<u>\$ 12,619,724</u>	<u>\$ 79,257,331</u>

See accompanying notes to consolidated financial statements.

CARNEGIE LIBRARY OF PITTSBURGH

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,235,913	\$ 7,127,876
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	2,590,360	2,710,376
Realized (gain) loss on investments	(65,218)	(1,255,441)
Unrealized (gain) loss on investments	(1,090,629)	(854,853)
Donation of stock	-	(3,757,174)
Contributions restricted for long-term purposes	(1,082,538)	(541,174)
Changes in assets and liabilities:		
Receivables	1,180,997	(166,458)
Prepaid expenses and other	257,650	(569,960)
Other current assets	13,171	(35,599)
Accounts payable and accrued expenses	844,854	(293,155)
Accrued salaries and related payroll taxes	64,855	(445,091)
Deferred revenue	(23,505)	40,720
Net cash provided by operating activities	3,925,910	1,960,067
Cash Flows From Investing Activities:		
Purchase of fixed assets	(3,305,384)	(2,501,889)
Proceeds from sale of investments	15,004,700	349,895
Purchase of investments	(20,114,489)	(226,789)
Change in other assets	(966)	70,457
(Increase) decrease in perpetual trusts	(23,785)	(129,137)
Net cash used in investing activities	(8,439,924)	(2,437,463)
Cash Flows From Financing Activities:		
Payment on bonds	(585,000)	(570,000)
Payment on mortgage note	(76,344)	(72,221)
Receipts of contributions restricted for long-term purposes	1,082,538	541,174
Net cash provided by (used in) financing activities	421,194	(101,047)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,092,820)	(578,443)
Cash and Cash Equivalents:		
Beginning of year	18,548,014	19,126,457
End of year	\$ 14,455,194	\$ 18,548,014
Supplemental Data:		
Interest paid	\$ 420,375	\$ 440,028
Schedule of Noncash Investing and Financing Activities:		
Donation of stock	\$ -	\$ 3,757,174

See accompanying notes to consolidated financial statements.

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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. These returns may be selected for examination by the Internal Revenue Service, subject to a statute of limitations to determine whether or not the Library has properly maintained its tax-exempt status. At any given point in time, the Library may have several years of filed information returns that may be selected for examination or review by taxing authorities.

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

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

January 1, 2012; and the proceeds are used exclusively for the operation and maintenance of the Library. Tax revenue recognized for 2014 and 2013 amounted to approximately \$4.3 million and \$4.0 million, respectively.

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 \$9,774,611 and \$9,820,201, and total revenue of \$1,055,160 and \$4,864,193 as of December 31, 2014 and 2013, respectively. All interrelated transactions and accounts are eliminated.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

donor stipulations, unexpended donor gifts for capital projects, pledges, 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%.

With a change in investment managers, investment and custodian fees amounted to approximately \$101,686 for the year ended December 31, 2014. For the year ended December 31, 2013, the Library did not incur any non-embedded investment and custodian fees. 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 permanently restricted net asset. 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 \$53,190 and \$51,038 as of December 31, 2014 and 2013, respectively.

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 \$4.4 and \$4.1 million was acquired in 2014 and 2013, respectively).

Special Collections – The Library's special collections, which were acquired through purchases and contributions since the Library's inception, consist of approximately 655,500 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 2014 and 2013) are reflected as revenue resulting in an increase in unrestricted net assets.

Deferred Revenue

Deferred revenue represents receipts from exchange transactions with the Commonwealth of Pennsylvania that are unearned at December 31, 2014 and 2013. It also includes 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

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 0.67% to 1.10% and are expected to be received as follows:

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Years ending December 31	Amount
2015	\$ 288,908
2016	252,183
2017	292,738
	<u>833,829</u>
Less - amount representing discount	<u>(12,797)</u>
	<u>\$ 821,032</u>

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, 2014 and 2013 are as follows: Level 1 Pledges receivable – current \$288,908 and \$780,657, respectively, and Level 3 Pledges receivable – noncurrent \$532,124 and \$785,490, 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 five 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:

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Balance as of January 1	\$ 785,490	\$ 1,168,243
Additions of long-term pledges	44,737	394,200
Increases (decreases) due to change in scheduled payments	(9,012)	28,335
Pledges receivable, which became due within one year	(288,908)	(780,657)
Pledges written off as uncollectible	(183)	(24,631)
Balance as of December 31	<u>\$ 532,124</u>	<u>\$ 785,490</u>

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 2014 and 2013: 0.67%-1.10% and 0.38%-1.27%, respectively. The sensitivity of the changes to unobservable inputs for the noncurrent pledges receivable is based upon future collectability.

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

At the beginning of 2013, the Library held \$200,000 in contingent pledges. Payments of \$200,000 were received against the beginning balance. These payments were recognized as revenue on the statement of activities during 2013. The Library did not receive any new contingent pledges during 2013.

4. LAND, BUILDINGS, AND EQUIPMENT

Buildings and equipment at December 31, 2014 and 2013 consist of the following:

CARNEGIE LIBRARY OF PITTSBURGH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Capital assets:		
Not being depreciated:		
Land	\$ 854,798	854,798
Construction in progress	2,485,345	1,323,183
Total not being depreciated	<u>3,340,143</u>	<u>2,177,981</u>
Being depreciated:		
Building and building improvements	57,923,776	55,852,926
Equipment	5,985,621	6,962,813
Vehicles	331,408	331,408
Total being depreciated	<u>64,240,805</u>	<u>63,147,147</u>
Less accumulated depreciation	<u>(21,336,805)</u>	<u>(19,810,353)</u>
Net being depreciated	<u>42,904,000</u>	<u>43,336,794</u>
Total capital assets, net of depreciation	<u>\$ 46,244,143</u>	<u>\$ 45,514,775</u>

Beginning in 2002 and continuing beyond December 31, 2014, 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 maintain the renovated locations. As of December 31, 2014 and 2013, approximately \$2,569,000 and \$551,000, respectively, remains committed under contracts related to these activities. No net interest costs were determined to be capitalized for 2014 or 2013.

As of December 31, 2014 and 2013, 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.

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The leases have been recorded as capital leases as of December 31, 2014 and 2013, with the fair market value of \$1,970,000 recorded as buildings. 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, 2014 and two multi-asset funds and private company stock at December 31, 2013. The Library changed investment managers in 2014 and opened a new operating reserve investment account.

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

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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	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 recognized	<u>\$ 416,718</u>	<u>\$ 287,664</u>	<u>\$ 655,671</u>	<u>\$ 1,360,053</u>

The total returns on investments and cash equivalents for the year ended December 31, 2013 are summarized as follows:

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	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest on cash and cash equivalents	\$ 17,275	\$ 1,042	\$ -	\$ 18,317
Interest and dividend income	44,650	223,511	-	268,161
Net realized gain	259,632	16,071	979,738	1,255,441
Unrealized gain (loss)	513,690	40,625	300,538	854,853
Return on investments	835,247	281,249	1,280,276	2,396,772
Investment return designated for current operations	(206,687)	(161,524)	-	(368,211)
Investment gain (loss) recognized	<u>\$ 628,560</u>	<u>\$ 119,725</u>	<u>\$ 1,280,276</u>	<u>\$ 2,028,561</u>

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, 2014 and two multi-asset funds, private company stock, and split interest agreements at December 31, 2013. The total fair market value of the assets as of December 31, 2014 and 2013, respectively, is \$30,441,485 and \$24,152,064.

Fair values of assets measured on a recurring basis as of December 31, 2014 and 2013 are as follows:

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Description	12/31/14	Fair Value Measurements at Reporting Date Using		
		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	<u>\$ 30,441,485</u>	<u>\$ 5,040,834</u>	<u>\$ 15,221,751</u>	<u>\$ 10,178,900</u>

Description	12/31/13	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Multi-Asset Fund - Endowment	\$ 13,009,970	\$ -	\$ 13,009,970	\$ -
Multi-Asset Fund - Capital	1,261,762	-	1,261,762	-
Private Company Stock	8,587,826	-	-	8,587,826
Split Interest Agreements	1,292,506	-	-	1,292,506
Totals	<u>\$ 24,152,064</u>	<u>\$ -</u>	<u>\$ 14,271,732</u>	<u>\$ 9,880,332</u>

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, 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, 2014.

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

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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 information is applicable for the year ended December 31, 2013. The TIFF Multi-Asset Fund (MAF) was reported at market value as of December 31, 2013. The net asset value was calculated as assets of the fund less the fund's liabilities. The share reported by the Library was proportionate to the Library's relative capital contribution. Shares were redeemable upon request and were available the next business day; however, MAF reserved the right to hold payment up to seven days.

The Library's endowment was invested in the MAF as of December 31, 2013. The fund sought to achieve a total return (price appreciation plus dividends and interest income) that exceeded inflation plus 5% per annum through a globally diversified portfolio. Such diversification was designed to constitute a hedge against catastrophic losses during poor financial times. MAF's asset mix was 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. When an investment had performed well over a period time, began to reach but not exceed fair value and become a larger position size, TIFF would pare back the position size and use the proceeds to purchase other assets that had not appreciated. MAF generally maintained its desired alignment of exposures versus its Constructed Index (CI) by deploying equity futures, currency futures, Treasury futures, and swaps as needed. On occasion, the fund had used options as a hedging device when pricing is attractive.

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

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	2014	2013
Balance as of January 1	\$ 9,880,332	\$ 5,520,543
Contributions	-	3,757,174
Change in fair value - stock	274,783	473,478
Change in fair value - split interest agreements	23,785	129,137
Balance as of December 31	<u>\$ 10,178,900</u>	<u>\$ 9,880,332</u>

The fair value of Level 3 investments is calculated based upon valuation reports and the Library's percentages held by established bank trustees. 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, 2014 and 2013.

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	Value per Share
Split Interest Agreement	136,715	Market Value of Underlying Investments	Percentage Share	25%
Split Interest Agreement	<u>1,179,576</u>	Market Value of Underlying Investments	Percentage Share	20%
	<u>\$ 10,178,900</u>			

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<u>Description</u>	<u>Fair Value as of 12/31/13</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>
Private Company Stock	\$ 8,587,826	Income Approach and Capitalization of Benefits Approach	Discounts applied	Value per Share
Split Interest Agreement	137,017	Market Value of Underlying Investments	Percentage Share	25%
Split Interest Agreement	<u>1,155,489</u>	Market Value of Underlying Investments	Percentage Share	20%
	<u>\$ 9,880,332</u>			

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.

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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, 2014:

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

Endowment net asset composition by type of fund as of December 31, 2013:

<u>Board-Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>\$ 1,567,879</u>	<u>\$ 114,873</u>	<u>\$ 11,327,218</u>	<u>\$ 13,009,970</u>

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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 (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	<u>\$ 1,566,590</u>	<u>\$ 36,558</u>	<u>\$ 12,281,056</u>	<u>\$ 13,884,204</u>

Changes in endowment net assets for the fiscal year ended December 31, 2013:

	Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 1,410,841	\$ 163,342	\$ 9,957,773	\$ 11,531,956
Investment return:				
Investment income	31,612	91,011	-	122,623
Net gain (realized and unrealized)	181,393	21,002	1,280,276	1,482,671
Total investment return	213,005	112,013	1,280,276	1,605,294
Contributions	-	-	89,169	89,169
Other changes:				
Withdrawals	(55,744)	(160,482)	-	(216,226)
Miscellaneous income (expense)	(223)	-	-	(223)
Endowment Net Assets, End of Year	<u>\$ 1,567,879</u>	<u>\$ 114,873</u>	<u>\$ 11,327,218</u>	<u>\$ 13,009,970</u>

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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, 2014 and 2013 of \$14,575,813 and \$16,334,949, 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, 2014 and 2013 are held in perpetuity. The following composition of the net asset class indicates how the income is to be expended:

	<u>2014</u>	<u>2013</u>
Collection development	\$ 10,496,056	\$ 9,629,279
Any library purpose	<u>3,135,814</u>	<u>2,990,445</u>
	<u>\$ 13,631,870</u>	<u>\$ 12,619,724</u>

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9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets of \$3,611,855 and \$2,906,837 were released from donor restrictions for the years ended December 31, 2014 and 2013, 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 \$631,000 and \$601,000 were made to the plan for the years ended December 31, 2014 and 2013, respectively.

The second plan is a 457(b) deferred compensation plan. This plan is not utilized by current staff and has only 2 prior staff as remaining participants. There were no employer contributions to this plan for the years ended December 31, 2014 and 2013.

11. LEASES

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

<u>Years Ending December 31</u>	<u>Amount</u>
2015	\$ 319,056
2016	319,068
2017	321,005
2018	323,020
2019	258,240
	<u>\$ 1,540,389</u>

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Total lease expense amounted to approximately \$323,000 and \$307,000 for the years ended December 31, 2014 and 2013, 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, 2015. Amounts outstanding under the line of credit bear interest at LIBOR plus 120 basis points. The Library did not draw from the line during 2014 or 2013 and had no outstanding balance on the line at December 31, 2014 and 2013.

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, 2014 is \$10,368,522 in comparison to the outstanding balance of the bonds of \$9,890,000.

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.

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

<u>Years Ending December 31</u>	<u>Interest Rate</u>	<u>Amount</u>
2015	3.00%	\$ 605,000
2016	3.00%	620,000
2017	3.50%	640,000
2018	3.50%	665,000
2019	4.00%	685,000
Thereafter	4.00-4.375%	6,675,000
		<u>\$ 9,890,000</u>

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:

<u>Years Ending December 31</u>	<u>Amount</u>
2015	\$ 78,441
2016	80,573
2017	82,526
2018	84,246
	<u>\$ 325,786</u>

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14. EXPENSES BY NATURAL CLASSIFICATION AND FUNCTIONAL EXPENSES

Expenses by natural classification at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Salaries	\$ 14,877,531	\$ 14,460,261
Library materials	4,439,907	4,122,291
Fringe benefits	4,055,531	3,796,607
Depreciation and amortization	2,590,811	2,710,826
Occupancy	2,369,992	2,363,499
Supplies and expenses	1,609,650	971,531
Professional services	1,488,716	1,486,315
Information technology	758,595	794,908
Interest	420,375	440,028
Advertising and promotion	299,757	229,494
Insurance	181,977	179,750
Office expense	171,913	179,000
Conferences, conventions, and meetings	142,609	99,304
Travel	49,257	43,424
Vehicle expense	41,189	41,337
	<u>\$ 33,497,810</u>	<u>\$ 31,918,575</u>

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.

	<u>2014</u>	<u>2013</u>
Program services	\$ 29,318,298	\$ 27,741,860
Management and general	3,336,314	3,274,628
Fundraising	843,198	902,087
	<u>\$ 33,497,810</u>	<u>\$ 31,918,575</u>

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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 leases computers from the eiNetwork. Lease payments to the eiNetwork were \$257,625 and \$233,098 for the years ended December 31, 2014 and 2013, respectively. The eiNetwork also reimbursed the Library for expenses totaling \$91,431 and \$107,768 for the years ended December 31, 2014 and 2013, respectively.