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HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

HARTFORD PUBLIC LIBRARY

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Independent Auditors' Report

To the Trustees
Hartford Public Library
Hartford, Connecticut

We have audited the accompanying financial statements of Hartford Public Library, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Hartford Public Library as of June 30, 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.

Change in Accounting Principle

As discussed in Note 1, during the year ended June 30, 2015, Hartford Public Library elected early adoption of Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. Our opinion is not modified with respect to this matter.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 12, 2016

HARTFORD PUBLIC LIBRARY

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 540,845	\$ 316,303
Investments	15,966,370	16,844,031
Accounts receivable	155,598	746,298
Prepaid expenses	124,129	109,780
Property and equipment, net	<u>8,188,008</u>	<u>8,180,817</u>
Total Assets	<u>\$ 24,974,950</u>	<u>\$ 26,197,229</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 62,812	\$ 30,613
Deferred revenue	<u>2,175</u>	<u>13,472</u>
Total liabilities	<u>64,987</u>	<u>44,085</u>
Net Assets		
Unrestricted	20,480,308	21,545,806
Temporarily restricted	353,383	531,066
Permanently restricted	<u>4,076,272</u>	<u>4,076,272</u>
Total net assets	<u>24,909,963</u>	<u>26,153,144</u>
Total Liabilities and Net Assets	<u>\$ 24,974,950</u>	<u>\$ 26,197,229</u>

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
City appropriation	\$ 8,212,500	\$ -	\$ -	\$ 8,212,500
Donated services and goods	2,499,743	-	-	2,499,743
Contributions	78,583	342,034	-	420,617
Grants	356,748	-	-	356,748
Special events	316,883	-	-	316,883
Investment income	234,325	-	-	234,325
Service fees	145,347	-	-	145,347
Other revenue	62,360	-	-	62,360
Net realized and unrealized losses on investments	(413,568)	-	-	(413,568)
Net assets released from restrictions	519,717	(519,717)	-	-
Total revenue	<u>12,012,638</u>	<u>(177,683)</u>	<u>-</u>	<u>11,834,955</u>
Expenses				
Program	11,148,242	-	-	11,148,242
Management and general	1,499,287	-	-	1,499,287
Fundraising	430,607	-	-	430,607
Total expenses	<u>13,078,136</u>	<u>-</u>	<u>-</u>	<u>13,078,136</u>
Decrease in Net Assets	(1,065,498)	(177,683)	-	(1,243,181)
Net Assets - Beginning of Year	<u>21,545,806</u>	<u>531,066</u>	<u>4,076,272</u>	<u>26,153,144</u>
Net Assets - End of Year	<u>\$ 20,480,308</u>	<u>\$ 353,383</u>	<u>\$ 4,076,272</u>	<u>\$ 24,909,963</u>

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
City appropriation	\$ 8,215,000	\$ -	\$ -	\$ 8,215,000
Donated services and goods	2,810,722	-	-	2,810,722
Contributions	25,327	406,831	-	432,158
Grants	488,783	-	-	488,783
Special events	284,564	-	-	284,564
Investment income	140,728	-	-	140,728
Service fees	123,989	-	-	123,989
Other revenue	398,818	-	-	398,818
Net realized and unrealized gains on investments	2,196,698	-	-	2,196,698
Net assets released from restrictions	238,318	(238,318)	-	-
Total revenue	<u>14,922,947</u>	<u>168,513</u>	<u>-</u>	<u>15,091,460</u>
Expenses				
Program	10,663,118	-	-	10,663,118
Management and general	1,438,736	-	-	1,438,736
Fundraising	402,972	-	-	402,972
Total expenses	<u>12,504,826</u>	<u>-</u>	<u>-</u>	<u>12,504,826</u>
Increase in Net Assets	2,418,121	168,513	-	2,586,634
Net Assets - Beginning of Year	<u>19,127,685</u>	<u>362,553</u>	<u>4,076,272</u>	<u>23,566,510</u>
Net Assets - End of Year	<u>\$ 21,545,806</u>	<u>\$ 531,066</u>	<u>\$ 4,076,272</u>	<u>\$ 26,153,144</u>

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (1,243,181)	\$ 2,586,634
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) losses on investments	413,568	(2,196,698)
Depreciation	992,359	833,634
Donated property and equipment	(422,329)	(730,220)
(Increase) decrease in operating assets:		
Accounts receivable	590,700	(297,797)
Prepaid expenses	(14,349)	44,841
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	32,199	8,731
Deferred revenue	(11,297)	(42,032)
Net cash provided by operating activities	<u>337,670</u>	<u>207,093</u>
Cash Flows from Investing Activities		
Purchases of investments	(601,228)	(236,440)
Proceeds from sale of investments	1,065,321	742,907
Purchases of property and equipment	<u>(577,221)</u>	<u>(566,996)</u>
Net cash used in investing activities	<u>(113,128)</u>	<u>(60,529)</u>
Net Increase in Cash	224,542	146,564
Cash - Beginning of Year	<u>316,303</u>	<u>169,739</u>
Cash - End of Year	<u>\$ 540,845</u>	<u>\$ 316,303</u>

The accompanying notes are an integral part of the financial statements

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Hartford Public Library (the Library) was incorporated in 1935 as a not-for-profit organization with the primary mission to promote and support literacy and learning, to provide free and open access to information and ideas, and to help people participate in our democratic society. The Library offers an extensive variety of programs and services for multiple age groups that target a wide spectrum of needs and interests. Major programs and services provided are library services, youth services, job and career center services, multicultural programs, and civic engagement programs. The Library's primary source of funding comes from an annual appropriation from the City of Hartford.

Basis of Accounting and Presentation

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Library are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor restricted contributions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Library to expend the income earned thereon.

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 certain amounts and disclosures in the financial statements. Actual results could differ from these estimates.

Cash

The Library maintains deposits in financial institutions that may, at times, exceed federal depository insurance limits. Management believes that the Library's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurements.

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NOTES TO FINANCIAL STATEMENTS

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses on investments include the Library's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income on donor-restricted endowment assets whose restrictions are met in the same period are classified as increases or decreases in unrestricted net assets.

Property and Equipment

Property and equipment acquisitions and improvements thereon, including donated property and equipment as discussed in the donated services and goods section below, that individually exceed \$500 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized over the life of the improvement or the remaining lease term, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

Collections

In accordance with GAAP, the Library does not capitalize donated works of art or recognize them as revenues or gains. GAAP provides that such donations need not be recognized if they are added to collections that are held for public examination, education or research in the furtherance of public service rather than financial gain; are protected, kept unencumbered, cared for and preserved; and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other collection items.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Library reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Donated Services and Goods

The Library recognizes donated services if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services and goods related to the Library's special events totaled \$30,274 and \$33,362 for the years ended June 30, 2015 and 2014, respectively. These amounts are included in donated services and goods revenue and fundraising expenses on the statements of activities. The Library also received donated property and equipment totaling \$422,329 and \$730,220 for the years ended June 30, 2015 and 2014, respectively. These amounts are capitalized and included in property and equipment on the statements of financial position and donated services and goods on the statements of activities.

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NOTES TO FINANCIAL STATEMENTS

The Library also received donated rent from the City of Hartford totaling \$2,047,140 for each of the years ended June 30, 2015 and 2014. This amount is included in donated services and goods revenue and allocated between program and management and general expenses on the statements of activities.

Grants

Other than certain awards to fund capital expenditures, governmental grants are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants is recognized to the extent of costs incurred. Revenue from performance-based grants is recognized to the extent of performance achieved. Grant receipts in excess of revenue recognized are presented as deferred revenue.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Income Taxes

The Library is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the current year's presentation.

Change in Accounting Principle

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at net asset value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016 and early adoption is permitted. The Library has elected to early adopt ASU 2015-07 for the year ended June 30, 2015.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through January 12, 2016, which represents the date the financial statements were available to be issued.

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NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Library has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market

Money market funds are valued at the quoted net asset value of shares held by the Library at year end.

Equities

Equities are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed Income

Fixed income is valued at the closing price reported in the active market in which the individual securities are traded.

Alternative Investments

Interests in alternative investments are valued using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date.

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NOTES TO FINANCIAL STATEMENTS

There have been no changes in the methodologies used at June 30, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Library believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Library's assets at fair value as of June 30, 2015 and 2014:

	2015				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Money market	\$ 189,577	\$ -	\$ -	\$ -	\$ 189,577
Equities:					
U.S. mid cap	178,642	-	-	-	178,642
International developed	5,260,332	-	-	-	5,260,332
Fixed income	196,450	-	-	-	196,450
Alternative investments:					
Multi Asset Fund	-	-	-	4,544,919	4,544,919
Other alternative investments	-	-	-	5,596,450	5,596,450
Total Assets	\$ 5,825,001	\$ -	\$ -	\$ 10,141,369	\$ 15,966,370

	2014				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Money market	\$ 287,219	\$ -	\$ -	\$ -	\$ 287,219
Equities:					
U.S. small cap	5,720	-	-	-	5,720
International developed	5,617,006	-	-	-	5,617,006
Other	254,688	-	-	-	254,688
Fixed income	200,102	-	-	-	200,102
Alternative investments:					
Multi Asset Fund	-	-	-	4,905,114	4,905,114
Other alternative investments	-	-	-	5,574,182	5,574,182
Total Assets	\$ 6,364,735	\$ -	\$ -	\$ 10,479,296	\$ 16,844,031

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NOTES TO FINANCIAL STATEMENTS

- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

There were no transfers between levels of investments during the years ended June 30, 2015 and 2014.

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2015 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Liquidity or Other Restrictions</u>
Multi Asset Fund (b)	\$ 4,544,919	\$ -	Daily	None	None
Other alternative investments (c)	5,596,450	-	Monthly	30 days	None

The investment strategies of these investments are as follows:

- (b) This investment class typically involves event-driven, stressed and distressed credit and spread based arbitrage investments. The strategies tend to be both flexible and opportunistic. They incorporate differentiated drivers of return compared to traditional investment strategies and, as a result, they are expected to produce returns that exhibit relatively low correlation to the broad market indices over longer time horizons. Over time, the investments should generate equity-like returns with lower volatility than equity markets.
- (c) This investment class typically has investments in long and short global equities. The Fund is managed on a total return basis and over time, the investment objective is to provide return that is consistent with MSCI All Country World Index and Barclays Capital Aggregate Index.

NOTE 3 - PROPERTY AND EQUIPMENT

The following is a summary of operating property and equipment as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 180,100	\$ 180,100
Leasehold improvements	7,496,513	7,116,015
Library material	1,766,418	1,336,549
Furniture and fixtures	886,323	772,931
Computers and equipment	618,040	477,107
Vehicles	106,275	106,275
Buildings improvements	54,358	54,359
Construction in process	-	65,143
	<u>11,108,027</u>	<u>10,108,479</u>
Less accumulated depreciation	<u>2,920,019</u>	<u>1,927,662</u>
Operating Property and Equipment, Net	<u>\$ 8,188,008</u>	<u>\$ 8,180,817</u>

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NOTES TO FINANCIAL STATEMENTS

Depreciation expense totaled \$992,359 and \$833,634 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the following purpose restrictions for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donor stipulations for various programs	\$ 495,964	\$ 207,952
Capital improvements	<u>23,753</u>	<u>30,366</u>
	<u>\$ 519,717</u>	<u>\$ 238,318</u>

Temporarily restricted net assets are available for the following purposes as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donor stipulations for various programs	\$ 221,662	\$ 375,621
Capital improvements	<u>131,721</u>	<u>155,445</u>
	<u>\$ 353,383</u>	<u>\$ 531,066</u>

NOTE 5 - ENDOWMENT

The Library's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Library has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) 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. 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 Library in a manner consistent with the standard of prudence prescribed by CTUPMIFA.

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NOTES TO FINANCIAL STATEMENTS

In accordance with CTUPMIFA, the Library considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Library and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Library
- The investment policies of the Library

Changes in endowment net assets for the years ended June 30, 2015 and 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - June 30, 2013	\$ 10,891,967	\$ -	\$ 4,076,272	\$ 14,968,239
Investment return:				
Investment income	140,669	-	-	140,669
Investment gains	2,196,483	-	-	2,196,483
Total investment return	<u>2,337,152</u>	<u>-</u>	<u>-</u>	<u>2,337,152</u>
Appropriation of endowment assets for expenditure	<u>(500,408)</u>	<u>-</u>	<u>-</u>	<u>(500,408)</u>
Endowment management and investment fees	<u>(116,397)</u>	<u>-</u>	<u>-</u>	<u>(116,397)</u>
Endowment net assets - June 30, 2014	<u>12,612,314</u>	<u>-</u>	<u>4,076,272</u>	<u>16,688,586</u>
Investment return:				
Investment income	229,146	-	-	229,146
Investment losses	(413,751)	-	-	(413,751)
Total investment loss	<u>(184,605)</u>	<u>-</u>	<u>-</u>	<u>(184,605)</u>
Appropriation of endowment assets for expenditure	<u>(561,709)</u>	<u>-</u>	<u>-</u>	<u>(561,709)</u>
Endowment management and investment fees	<u>(107,623)</u>	<u>-</u>	<u>-</u>	<u>(107,623)</u>
Endowment Net Assets - June 30, 2015	<u>\$ 11,758,377</u>	<u>\$ -</u>	<u>\$ 4,076,272</u>	<u>\$ 15,834,649</u>

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NOTES TO FINANCIAL STATEMENTS

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires the Library to maintain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets was \$74,187 and \$-0- for the years ending June 30, 2015 and 2014, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Library has adopted investment and spending policies for endowment assets that attempt to provide a revenue stream while also maintaining or increasing the inflation-adjusted value of the endowment to maintain intergenerational equity for funding of on-going operations, special initiatives and capital projects in support of the Library.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Library relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Library targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints. The Library seeks to achieve investment results over the long-term that exceed the target blended benchmark by 1% per annum and exceed the inflation plus the spending policy per annum.

Spending Policy

The Library has adopted a policy to support the Library and to preserve the value of the investment portfolio over time. Specifically, 4% of the average of the fair value of certain investments for the previous 12 quarters is appropriated to support the Library.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Library is a component fund of the City of Hartford (the City) and it receives an annual appropriation from the City to support general operations and program services. The appropriation received for each of the years ended June 30, 2015 and 2014, was \$8,215,000.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Library participated in a number of federal- and state-assisted grant programs. The use of grants in programs is subject to future review by the grantors. Such reviews may result in liabilities to grantors. The Library is not aware of any such liabilities at June 30, 2015 and 2014, respectively.

HARTFORD PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - OPERATING LEASES

The Library leases space for library branches with various terms through June 30, 2016. In May of 2015, the Library entered into a lease agreement for a vehicle with terms through April 2019. The Library also leases office equipment under noncancelable operating leases with terms of more than one year.

Future minimum lease payments under operating leases that have minimum remaining terms in excess of one year are as follows:

Year Ending June 30

2016	\$	83,607
2017		6,365
2018		7,543
2019		<u>8,307</u>
Total Minimum Lease Payments	\$	<u>105,822</u>