

HARTFORD PUBLIC LIBRARY

FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 5, 2018

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STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 7,231,240	\$ 599,343
Investments	16,706,322	15,856,837
Accounts receivable	592,410	217,102
Contributions receivable	483,122	209,154
Prepaid expenses	111,355	227,327
Property and equipment, net	<u>10,289,728</u>	<u>10,967,669</u>
Total Assets	<u>\$ 35,414,177</u>	<u>\$ 28,077,432</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 37,546	\$ 46,969
Deferred revenue	<u>21,954</u>	<u>19,168</u>
Total liabilities	<u>59,500</u>	<u>66,137</u>
Net Assets		
Unrestricted	23,076,833	23,120,872
Temporarily restricted	8,201,572	814,151
Permanently restricted	<u>4,076,272</u>	<u>4,076,272</u>
Total net assets	<u>35,354,677</u>	<u>28,011,295</u>
Total Liabilities and Net Assets	<u>\$ 35,414,177</u>	<u>\$ 28,077,432</u>

The accompanying notes are an integral part of the financial statements

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STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
City appropriation	\$ 8,100,000	\$ -	\$ -	\$ 8,100,000
Donated services and goods	2,187,818	-	-	2,187,818
Contributions	24,140	7,745,525	-	7,769,665
Grants	433,165	-	-	433,165
Special events	327,824	-	-	327,824
Investment income	254,818	-	-	254,818
Service fees	165,754	-	-	165,754
Other revenue	256,089	-	-	256,089
Net realized and unrealized gains on investments	1,188,020	-	-	1,188,020
Net assets released from restrictions	358,104	(358,104)	-	-
Total revenue	<u>13,295,732</u>	<u>7,387,421</u>	<u>-</u>	<u>20,683,153</u>
Expenses				
Program	11,337,834	-	-	11,337,834
Management and general	1,605,960	-	-	1,605,960
Fundraising	395,977	-	-	395,977
Total expenses	<u>13,339,771</u>	<u>-</u>	<u>-</u>	<u>13,339,771</u>
Increase (Decrease) in Net Assets	(44,039)	7,387,421	-	7,343,382
Net Assets - Beginning of Year	<u>23,120,872</u>	<u>814,151</u>	<u>4,076,272</u>	<u>28,011,295</u>
Net Assets - End of Year	<u>\$ 23,076,833</u>	<u>\$ 8,201,572</u>	<u>\$ 4,076,272</u>	<u>\$ 35,354,677</u>

The accompanying notes are an integral part of the financial statements

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STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue				
City appropriation	\$ 7,860,851	\$ -	\$ -	\$ 7,860,851
Donated services and goods	6,093,975	-	-	6,093,975
Contributions	109,859	906,628	-	1,016,487
Grants	442,164	-	-	442,164
Special events	230,373	-	-	230,373
Investment income	163,108	-	-	163,108
Service fees	150,567	-	-	150,567
Other revenue	33,756	-	-	33,756
Net realized and unrealized gains on investments	1,735,480	-	-	1,735,480
Net assets released from restrictions	410,076	(410,076)	-	-
Total revenue	<u>17,230,209</u>	<u>496,552</u>	<u>-</u>	<u>17,726,761</u>
Expenses				
Program	10,676,891	-	-	10,676,891
Management and general	1,587,630	-	-	1,587,630
Fundraising	352,322	-	-	352,322
Total expenses	<u>12,616,843</u>	<u>-</u>	<u>-</u>	<u>12,616,843</u>
Increase in Net Assets	4,613,366	496,552	-	5,109,918
Net Assets - Beginning of Year	<u>18,507,506</u>	<u>317,599</u>	<u>4,076,272</u>	<u>22,901,377</u>
Net Assets - End of Year	<u>\$ 23,120,872</u>	<u>\$ 814,151</u>	<u>\$ 4,076,272</u>	<u>\$ 28,011,295</u>

The accompanying notes are an integral part of the financial statements

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 7,343,382	\$ 5,109,918
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(1,188,020)	(1,735,480)
Depreciation	1,440,476	1,143,931
Donated property and equipment	(280,349)	(4,151,516)
(Increase) decrease in operating assets:		
Accounts receivable	(375,308)	(156,710)
Contributions receivable	(273,968)	(209,154)
Prepaid expenses	115,972	(125,216)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(9,423)	(6,278)
Deferred revenue	2,786	4,533
Net cash provided by (used in) operating activities	<u>6,775,548</u>	<u>(125,972)</u>
Cash Flows from Investing Activities		
Purchases of investments	(16,126,493)	(452,408)
Proceeds from sale of investments	16,465,028	1,099,334
Purchases of property and equipment	(482,186)	(349,721)
Net cash provided by (used in) investing activities	<u>(143,651)</u>	<u>297,205</u>
Net Increase in Cash	6,631,897	171,233
Cash - Beginning of Year	<u>599,343</u>	<u>428,110</u>
Cash - End of Year	<u>\$ 7,231,240</u>	<u>\$ 599,343</u>

The accompanying notes are an integral part of the financial statements

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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 (the City). For 2019, the City of Hartford sought and received a pledge from corporations to support the City's funding, to fund among other things the operating budget for Hartford Public Library for Fiscal Year 2019. Hartford Public Library received \$6,666,666 of this contribution for operations prior to June 30, 2018, and this is included in temporarily restricted contributions on the statement of activities.

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.

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NOTES TO FINANCIAL STATEMENTS

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.

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 \$1,500 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 \$22,329 and \$9,319 for the years ended June 30, 2018 and 2017, respectively. These amounts are included in donated services and goods revenue and fundraising expenses on the statements of

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NOTES TO FINANCIAL STATEMENTS

activities. The Library also received donated property and equipment totaling \$280,349 and \$4,151,516 for the years ended June 30, 2018 and 2017, 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.

The Library also received donated rent from the City totaling \$1,885,140 and \$1,933,140 for the years ended June 30, 2018 and 2017, respectively. 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 2017 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 5, 2018, which represents the date the financial statements were available to be issued.

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.

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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 price of shares held by the Library at year end.

Equities, Real Assets and Fixed Income

Equities, real assets and fixed income are 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.

There have been no changes in the methodologies used at June 30, 2018 and 2017.

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.

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NOTES TO FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the Library's assets at fair value as of June 30, 2018 and 2017:

	2018				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Money market	\$ 398,072	\$ -	\$ -	\$ -	\$ 398,072
Equities:					
U.S. large cap	7,125,022	-	-	-	7,125,022
U.S. mid cap	1,560,658	-	-	-	1,560,658
U.S. small cap	637,312	-	-	-	637,312
International developed	2,172,594	-	-	-	2,172,594
Other	586,926	-	-	-	586,926
Real assets	244,973	-	-	-	244,973
Fixed income	3,980,784	-	-	-	3,980,785
Total Assets	\$ <u>16,706,322</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,706,322</u>

	2017				
	Fair Value Measurements Using			Investments Measured at Net Asset Value (a)	Total
	Level 1	Level 2	Level 3		
Money market	\$ 119,104	\$ -	\$ -	\$ -	\$ 119,104
Equities:					
U.S. mid cap	146,054	-	-	-	146,054
International developed	4,784,786	-	-	-	4,784,786
Fixed income	168,961	-	-	-	168,961
Alternative investments:					
Multi Asset Fund	-	-	-	4,400,366	4,400,366
Other alternative investments	-	-	-	6,237,566	6,237,566
Total Assets	\$ <u>5,218,905</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,637,932</u>	\$ <u>15,856,837</u>

- (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 these tables 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, 2018 and 2017.

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give that are due in less than one year totaling \$483,122 and \$209,154, at June 30, 2018 and 2017, respectively. Based on an assessment of outstanding balances, management has concluded that no reserve is deemed necessary at June 30, 2018 and 2017.

NOTE 4 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 198,200	\$ 198,200
Leasehold improvements	11,244,440	7,601,078
Library material	2,845,874	2,464,482
Buildings	1,089,480	1,089,480
Furniture and fixtures	1,364,446	933,168
Computers and equipment	1,055,935	731,735
Vehicles	106,275	106,275
Building improvements	54,358	54,358
Construction in progress	-	4,049,056
	<u>17,959,008</u>	<u>17,227,832</u>
Less accumulated depreciation	<u>7,669,280</u>	<u>6,260,163</u>
Property and Equipment, Net	<u>\$ 10,289,728</u>	<u>\$ 10,967,669</u>

Depreciation expense totaled \$1,440,476 and \$1,143,931 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

For the years ended June 30, 2018 and 2017, net assets were released from restrictions by incurring expenses satisfying Donor stipulations for various programs of \$358,104 and \$410,076, respectively.

Temporarily restricted net assets are available for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Donor stipulations for various programs	\$ 8,096,482	\$ 714,318
Capital improvements	<u>105,090</u>	<u>99,833</u>
	<u>\$ 8,201,572</u>	<u>\$ 814,151</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 6 - 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.

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

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Changes in endowment net assets for the years ended June 30, 2018 and 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - June 30, 2016	\$ <u>10,592,292</u>	\$ <u>-</u>	\$ <u>4,076,272</u>	\$ <u>14,668,564</u>
Investment return:				
Investment income	162,817	-	-	162,817
Investment gains	1,735,480	-	-	1,735,480
Total investment return	<u>1,898,297</u>	<u>-</u>	<u>-</u>	<u>1,898,297</u>
Appropriation of endowment assets for expenditure	<u>(759,378)</u>	<u>-</u>	<u>-</u>	<u>(759,378)</u>
Endowment management and investment fees	<u>(50,481)</u>	<u>-</u>	<u>-</u>	<u>(50,481)</u>
Endowment net assets - June 30, 2017	<u>11,680,730</u>	<u>-</u>	<u>4,076,272</u>	<u>15,757,002</u>
Investment return:				
Investment income	273,542	-	-	273,542
Investment gains	1,184,094	-	-	1,184,094
Total investment return	<u>1,457,636</u>	<u>-</u>	<u>-</u>	<u>1,457,636</u>
Appropriation of endowment assets for expenditure	<u>(572,967)</u>	<u>-</u>	<u>-</u>	<u>(572,967)</u>
Endowment management and investment fees	<u>(40,439)</u>	<u>-</u>	<u>-</u>	<u>(40,439)</u>
Endowment Net Assets - June 30, 2018	\$ <u>12,524,960</u>	\$ <u>-</u>	\$ <u>4,076,272</u>	\$ <u>16,601,232</u>

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, there were no deficiencies of this nature that are reported in temporarily restricted net assets as of June 30, 2018 and 2017.

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.

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NOTES TO FINANCIAL STATEMENTS

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 of 65% MSCI All Country World Index and 35% Barclays-Aggregate Bond Index 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, ending March 31, is appropriated to support the Library. For 2017, the actual amount appropriated to support the Library was 6%, which includes the 1% that was not spent during 2016. The amount appropriated for 2018 was 4%.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Library is a component fund of the City and it receives an annual appropriation from the City to support general operations and program services. The appropriation received for the years ended June 30, 2018 and 2017, was \$8,100,000 and \$7,860,851, respectively.

NOTE 8 - 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, 2018 and 2017.

NOTE 9 - OPERATING LEASES

The Library leases space for library branches with various terms through June 30, 2019. In May 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 are \$32,559 for the year ending June 30, 2019.