

FISHERS ISLAND LIBRARY ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2014

ALDRICH, PERKINS, MULCAHY & HEAP, LLC – Certified Public Accountants

FISHERS ISLAND LIBRARY ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fishers Island Library Association
Fishers Island, NY 06390

We have audited the accompanying financial statements of Fishers Island Library Association (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2014, and the related statement of revenue and expenses and changes in net assets - modified cash basis for the year 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 the modified cash basis of accounting as described in Note 1; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 disclosure in the financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

**FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR 2013**

	ASSETS	2014	2013
CURRENT ASSETS		<u>2014</u>	<u>2013</u>
Cash on hand		\$ 228	\$ 220
Cash- checking		<u>41,000</u>	<u>49,350</u>
TOTAL CURRENT ASSETS		41,228	49,570
PROPERTY AND EQUIPMENT			
Land		1,000	1,000
Land improvements		15,802	15,802
Building		70,000	70,000
Building improvements		344,324	265,417
Furniture and equipment		<u>57,487</u>	<u>57,487</u>
		488,613	409,706
Less: accumulated depreciation		<u>(221,481)</u>	<u>(207,130)</u>
TOTAL PROPERTY AND EQUIPMENT		267,132	202,576
OTHER ASSETS			
Investments- board designated endowment (note 3)		<u>516,054</u>	<u>477,208</u>
TOTAL ASSETS		<u>\$ 824,414</u>	<u>\$ 729,354</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accrued payroll taxes		\$ 8,058	\$ 13,753
NET ASSETS			
Unrestricted			
Board designated (note 4)		516,054	477,208
Undesignated		<u>295,607</u>	<u>215,647</u>
Total unrestricted net assets		811,661	692,855
Temporarily restricted (note 6)		-	18,051
Permanently restricted (note 5)		<u>4,695</u>	<u>4,695</u>
TOTAL NET ASSETS		<u>816,356</u>	<u>715,601</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 824,414</u>	<u>\$ 729,354</u>

See accountant's report and accompanying notes.

FISHERS ISLAND LIBRARY ASSOCIATION
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE TOTALS FOR 2013

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2014	2013
School district	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Adopt-a-book	421	-	-	421	431
Donations	131,845	100	-	131,945	95,657
Interest and dividends	27,183	-	-	27,183	19,324
Library charges and fines	306	-	-	306	353
Local library incentive aid	4,434	-	-	4,434	2,252
Unrealized gain (loss) for year	11,819	-	-	11,819	62,725
Other	-	-	-	-	2,892
Released from restriction:					
Purpose restrictions met	<u>18,151</u>	<u>(18,151)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	244,159	(18,051)	-	226,108	233,634
EXPENSES					
Librarian and program salary	45,386	-	-	45,386	45,500
Payroll taxes	3,801	-	-	3,801	3,661
Accounting	7,366	-	-	7,366	8,095
Alarm system	300	-	-	300	1,125
Bank charges	301	-	-	301	6
Books	4,520	-	-	4,520	6,114
Depreciation	14,351	-	-	14,351	10,670
Insurance	8,794	-	-	8,794	7,068
Utilities	9,521	-	-	9,521	6,302
Maintenance	15,501	-	-	15,501	6,036
Medical insurance	-	-	-	-	5,465
Other	7,371	-	-	7,371	6,364
Pension expense	2,000	-	-	2,000	2,000
Performers	675	-	-	675	2,803
Periodicals and videos	250	-	-	250	518
Printing	442	-	-	442	423
Special events	1,508	-	-	1,508	1,109
Supplies	1,891	-	-	1,891	3,036
Telephone	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>1,375</u>	<u>527</u>
TOTAL EXPENSES	<u>125,353</u>	<u>-</u>	<u>-</u>	<u>125,353</u>	<u>116,822</u>
CHANGE IN NET ASSETS	118,806	(18,051)	-	100,755	116,812
NET ASSETS, BEGINNING	<u>692,855</u>	<u>18,051</u>	<u>4,695</u>	<u>715,601</u>	<u>598,789</u>
NET ASSETS, ENDING	<u>\$ 811,661</u>	<u>\$ -</u>	<u>\$ 4,695</u>	<u>\$ 816,356</u>	<u>\$ 715,601</u>

See accountants report and accompanying notes.

**FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Fishers Island Library Association serves the Island community by providing literary, informational, cultural and educational enrichment resources and programs throughout the year at the library and other Island venues.

Financial Statement Presentation

The organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions

Method of Accounting

The Fishers Island Library Association uses the modified cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Modifications to the cash basis of accounting include capitalizing land, buildings and equipment, recording depreciation on property and equipment, accruing payroll related liabilities, and recording investments at fair market value.

Income Tax Status

The Fishers Island Library Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal or state income taxes. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of the financial statements, and support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Comparative Totals

The financial information shown for 2013 in the accompanying financial statements is included to provide a basis for comparison with 2014 and presents summarized totals only. Such total amounts do not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such amounts should be read in conjunction with the Fishers Island Library Association's financial statements for the year ended December 31, 2013, from which the comparative total amounts were derived.

FISHERS ISLAND LIBRARY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets. Repairs and maintenance of building and equipment are charged to expenses as incurred.

Fair Values of Financial Instruments

The fair values of financial instruments have been determined through quoted market prices or present value techniques to approximate the amounts recorded in the statement of financial position.

Investments

The investment policy establishes an achievable return objective through professional management and sufficient portfolio diversification to minimize volatility and to help assure a reasonable consistency of return. The current long-term return objective is to achieve a total rate of return that is above the median performance of similarly managed funds on a risk-adjusted basis. To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation by setting a minimum aggregate exposure of 74% in fixed income and a maximum aggregate exposure of 26% in equity-based securities to achieve its long-term return objectives within prudent risk parameters.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Revenue and Expenses and Changes in Net Assets - Modified Cash Basis as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through April 17, 2015, the date which the financial statements were available for issue.

2. PENSION PLAN

The library contributes 5% of each eligible employee's salary to the Teachers Insurance and Annuity Association College Retirement Equities Fund. The librarian was the only eligible participant in 2014. Pension expense for the years ended December 31, 2014 and 2013 were \$2,000.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

3. INVESTMENTS

The investments with Morgan Stanley are recorded at fair market value, and consist of the following:

	2014		2013	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash equivalents	\$ 123,883	\$ 123,883	\$ 110,244	\$ 110,244
Mutual Funds	253,391	165,436	240,118	165,436
Equities	138,780	114,356	126,846	114,356
 Total Investments	 \$ 516,054	 \$ 403,675	 \$ 477,208	 \$ 390,036

4. BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31, 2014 consist of \$516,054 in board designated endowment accounts. The Board of Trustees has designated these funds for future use.

5. PERMANENTLY RESTRICTED NET ASSETS

The permanently restricted net assets consist of donations made to the library: \$1,695 in memory of Marilyn Porter and \$3,000 in memory of Rachel and Maxwell Porter. The income earned on the donations is to be used to purchase books for the library.

6. ALLOCATION OF EXPENSES BY FUNCTION

The expenses as summarized in the statement of revenue and expenses and changes in net assets have been allocated as follows:

	2014	2013
Library services	\$ 84,489	\$ 79,687
Management and general	25,522	23,816
Fundraising	15,342	13,319
	\$ 125,353	\$ 116,822